

HIGH GRADE METALS LIMITED
[ABN 55 062 879 583]
NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY STATEMENT
PROXY FORM

TIME: 11am (Adelaide time)

DATE: 30 June 2021

PLACE: The offices of BDO, Level 7, 420 King William Street, Adelaide SA 5000

An Independent Expert's Report has been prepared by BDO Corporate Finance (SA) Pty Ltd in respect of:

1. the acquisition of a relevant interest by Jade Vendors in the voting shares of the Company if Resolution 2 is approved (including the acquisition of a relevant interest by Mr Joseph Patrick Burke and his associated entities); and
2. the giving of financial benefits to, and the acquisition of a substantial asset from, the Jade Vendors, who may be considered to be related parties of the Company under section 228(6) of the Corporations Act and the ASX Listing Rules, if Resolutions 1B and 4 are approved.

The findings of BDO Corporate Finance (SA) Pty Ltd are that the Transaction is not fair but reasonable to the Company's shareholders who are not associated with the Jade Vendors (referred to as non-associated shareholders).

The Independent Expert's Report is set out in Annexure A and should be read in full. Shareholders should refer to the Independent Expert's Report and the matters set out in the Notice and accompanying Explanatory Memorandum when considering how to vote on the Resolutions.

If you are in doubt as to the course you should follow, consult your financial or other professional advisor.

This Notice 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 contained in this Notice please do not hesitate to contact the Company on (03) 9614 0600.

ASX and/or ASIC take no responsibility for the content of this Notice.

**NOTICE OF ANNUAL GENERAL MEETING
HIGH GRADE METALS LIMITED [ABN 55 062 879 583]**

Notice is given that the 2021 Annual General Meeting (**Meeting**) of High Grade Metals Limited [ABN 55 062 879 583] (**Company** or **High Grade** or **HGM**) will be held at the offices of BDO, Level 7, 420 King William Street, Adelaide SA 5000 at 11am (Adelaide time) on 30 June 2021.

Further details in respect of each of the Resolutions proposed in this Notice of Annual General Meeting (**Notice**) are set out in the Explanatory Memorandum (**Memorandum**) accompanying this Notice. Details of the Resolutions contained in the Memorandum should be read together with, and form part of, this Notice.

The Resolutions to be considered in the Meeting relate to the following business:

- Resolutions 1A to 10 seek shareholder approval for the proposed acquisition by the Company of all of the issued capital of Jade Gas Pty Ltd and ancillary matters; and
- Resolutions 11 to 12B seek shareholder approval in connection with matters typically considered at an annual general meeting, including adoption of the remuneration report and director elections and re-elections.

Please read this Notice carefully and consider directing your proxy on how to vote on each Resolution by marking the appropriate box on the proxy form included with this Notice. Shareholders who intend to appoint the Chair as proxy (including appointment by default) should have regard to the Proxy and Voting Instructions set out on page 11 of this Notice.

Unless otherwise stated, all numbers, issue prices, exercise prices and conversion prices of securities in this Notice and the Memorandum are on a post-consolidation basis.

GENERAL BUSINESS

Resolutions 1A to 6 (being the Acquisition Resolutions) are interdependent. If any of Resolutions 1A to 6 are not passed the rest of those Resolutions will be withdrawn and any of those Resolutions already passed by shareholders will not be acted upon by the Company. Resolutions 1A to 6 are not conditional upon any of the other Resolutions set out in the Notice being passed by shareholders.

Resolutions 7 to 10 will all be withdrawn if any of the Acquisition Resolutions are not passed by shareholders.

Resolutions 11 to 12B are resolutions that relate to the Annual General Meeting aspect of the Meeting and will be put to shareholders regardless of the results of the other resolutions.

TRANSACTION AND ANCILLARY RESOLUTIONS

RESOLUTION 1A: APPROVAL OF THE JADE TRANSACTION – ASX LISTING RULE 11.1.2

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

“That, subject to each of the other Acquisition Resolutions being passed, the proposed acquisition by the Company of all the capital and rights to capital of Jade Gas Pty Ltd as described in the Memorandum (including without limitation the issue of shares at an issue price of less than the \$0.20 required by ASX Listing Rule 2.1 [Condition 2] and the issue of options with an exercise price of less than the \$0.20 required by ASX Listing Rule 1.1 [Condition 12]) which accompanied and formed part of this Notice of approved under and for the purposes of ASX Listing Rule 11.1.2.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a counterparty to the transaction that, of itself or together with one or more other transactions, will result in a significant change to the nature or scale of the Company's activities and any other person who will obtain a material benefit as a result of

the transaction (except a benefit solely by reason of being a holder of ordinary securities of the Company) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

RESOLUTION 1B – APPROVAL OF JADE TRANSACTION – ASX LISTING RULE 10.1

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

“That, subject to each of the other Acquisition Resolutions being passed, the proposed acquisition by the Company of all the capital and rights to capital of Jade Gas Pty Ltd as described in the Memorandum which accompanied and formed part of this Notice of approved under and for the purposes of ASX Listing Rule 10.1.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person disposing of the substantial asset to, or acquiring the substantial asset from, the entity and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

RESOLUTION 2: APPROVAL FOR ACQUISITION OF A RELEVANT INTEREST - JADE VENDORS

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

“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the acquisition by:

- the Jade Vendors of a relevant interest in the issued voting shares in the Company, and the increase in the voting power of the Jade Vendors in the Company from approximately 5.57% to a maximum of 72.11%; and
- Joseph Patrick Burke (and his associated entities) of a relevant interest in the issued voting shares in the Company, and the increase in the voting power of Joseph Patrick Burke (and his associates) from 0% to a maximum of 34.72%,

as described in the Memorandum which accompanied and formed part of this Notice.”

Voting Prohibition

The Company will disregard any votes cast in favour of this resolution by:

- the persons proposing to make the acquisition and their associates; or
- the persons (if any) from whom the acquisition is to be made and their associates.

RESOLUTION 3: CONSOLIDATION OF SHARES

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

“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Section 254H of the Corporations Act 2001 (Cth) and for all other purposes, the issued capital of the Company be consolidated on the basis that every five (5) fully paid ordinary shares be consolidated into one (1) fully paid ordinary share, with any resulting fractions of a share rounded up to the next whole number of shares as described in the Memorandum which accompanied and formed part of this Notice.”

RESOLUTION 4: APPROVAL FOR THE GIVING OF A FINANCIAL BENEFIT TO A RELATED PARTY

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

“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, shareholders approve the giving of a financial benefit to the Jade Vendors, being the issue of 846,166,667 Consideration Shares and 68,000,000 Consideration Options (each Consideration Option having an exercise price which is which is less than the \$0.20 required by ASX Listing Rule 2.1 [Condition 2]) as the aggregate consideration payable under the Transaction, as described in the Memorandum which accompanied and formed part of this Notice.”

Voting Prohibition

The Company will disregard any votes cast on this resolution (in any capacity) by or on behalf of:

- a related party of the Company to whom Resolution 4 would permit a financial benefit to be given; or
- an associate of such related party.

However, the Company need not disregard a vote cast on Resolution 4 if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 4; and
- it is not cast on behalf of a related party or associate who is prohibited from voting as set out above.

Independent Expert’s Report – Resolutions 1B, 2 and 4

An Independent Expert’s Report has been prepared by BDO Corporate Finance (SA) Pty Ltd for the purposes of item 7 of section 611 and Chapter 2E of the Corporations Act.

The Independent Expert’s Report is **enclosed** with this Notice as Annexure A.

BDO Corporate Finance (SA) Pty Ltd has concluded that:

- (a) the acquisition by the Jade Vendors (and/or their nominee(s)), and the acquisition by Joseph Patrick Burke (and his associated entities), of a relevant interest for which shareholder approval is sought under Resolution 2 is not fair but reasonable to non-associated shareholders; and
- (b) the giving of financial benefits to, and the acquisition of a substantial asset from, the Jade Vendors (and/or their nominee(s)), to the extent they may be considered related parties of the Company, for which shareholder approval is sought under Resolutions 1B and 4, are not fair but reasonable to non-associated shareholders.

Further details are set out in the Memorandum and Independent Expert's Report which the Directors recommend shareholders read in full before making any decision in relation to Resolutions 3 and 4.

A copy of this Notice and the accompanying Memorandum has been lodged with ASIC in accordance with section 218 of the Corporations Act.

RESOLUTION 5A: APPOINTMENT OF DIRECTOR – JOSEPH PATRICK BURKE

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

"That, subject to each of the other Acquisition Resolutions being passed, Joseph Patrick Burke, a person who being eligible and having consented to act, be elected as a Director of the Company with effect on and from completion by the Company of the Transaction."

RESOLUTION 5B: APPOINTMENT OF DIRECTOR – DANIEL WILLIAM EDDINGTON

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

"That, subject to each of the other Acquisition Resolutions being passed, Daniel William Eddington, a person who being eligible and having consented to act, be elected as a Director of the Company with effect on and from completion by the Company of the Transaction."

RESOLUTION 6: APPROVAL FOR TRANSACTION CAPITAL RAISING

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

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 250,000,000 fully paid ordinary shares at an issue price of \$0.03 (3 cents) per share (which is less than the \$0.20 required by ASX Listing Rule 2.1 [Condition 2]) to raise \$7.5 million (before costs) as described in the Memorandum which accompanied and formed part of this Notice."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*

- *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
- *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

RESOLUTION 7: CHANGE OF COMPANY NAME AND CONSTITUTION AMENDMENT

To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

“That, subject to the Acquisition Resolutions being passed and completion by the Company of the acquisition of Jade, for the purposes of sections 136(2) and 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to “Jade Gas Holdings Limited” and that the constitution of the Company be amended to reflect the change of the name of the Company to Jade Gas Holdings Limited by changing all references to the name of the Company to Jade Gas Holdings Limited, with effect from when ASIC changes the name of the Company.”

RESOLUTION 8A: APPROVAL FOR ANTHONY HALL TO PARTICIPATE IN CAPITAL RAISING

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

“That, subject to each of the Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for Anthony Hall (and/or his nominee(s)) to subscribe for up to 4,000,000 fully paid ordinary shares at an issue price of \$0.03 (3 cents) per share (which is less than the \$0.20 required by ASX Listing Rule 2.1 [Condition 2]) as described in the Memorandum which accompanied and formed part of this Notice.”

A voting exclusion statement as set out below in this Notice applies to this Resolution 8A.

RESOLUTION 8B: APPROVAL FOR BRADLEY DRABSCH TO PARTICIPATE IN CAPITAL RAISING

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

“That, subject to each of the Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for Bradley Drabsch (and/or his nominee(s)) to subscribe for up to 833,334 fully paid ordinary shares at an issue price of \$0.03 per share (which is less than the \$0.20 required by ASX Listing Rule 2.1 [Condition 2]) as described in the Memorandum which accompanied and formed part of this Notice.”

A voting exclusion statement as set out below in this Notice applies to this Resolution 8B.

RESOLUTION 8C: APPROVAL FOR STEVEN FORMICA TO PARTICIPATE IN CAPITAL RAISING

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

“That, subject to each of the Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for Steven Formica (and/or his nominee(s)) to subscribe for up to 6,666,667 fully paid ordinary shares at an issue price of \$0.03 (3 cents) per share (which is less than the \$0.20 required by ASX Listing Rule 2.1 [Condition 2]) as described in the Memorandum which accompanied and formed part of this Notice.”

A voting exclusion statement as set out below in this Notice applies to this Resolution 8C.

RESOLUTION 8D: APPROVAL FOR ADRIEN WING TO PARTICIPATE IN CAPITAL RAISING

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

“That, subject to each of the Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for Adrien Wing (and/or his nominee(s)) to subscribe for up to 6,666,667 fully paid ordinary shares at an issue price of \$0.03 (3 cents) per share (which is less than the \$0.20 required by ASX Listing Rule 2.1 [Condition 2]) as described in the Memorandum which accompanied and formed part of this Notice.”

A voting exclusion statement as set out below in this Notice applies to this Resolution 8D.

RESOLUTION 8E: APPROVAL FOR DENNIS MORTON TO PARTICIPATE IN CAPITAL RAISING

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

“That, subject to each of the Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for Dennis Morton (and/or his nominee(s)) to subscribe for up to 1,666,667 fully paid ordinary shares at an issue price of \$0.03 (3 cents) per share (which is less than the \$0.20 required by ASX Listing Rule 2.1 [Condition 2]) as described in the Memorandum which accompanied and formed part of this Notice.”

A voting exclusion statement as set out below in this Notice applies to this Resolution 8E.

Voting Exclusion Statement – Resolutions 8A – 8E

The Company will disregard any votes cast in favour of Resolution 8A to 8E respectively by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) under Resolution 8A to 8E respectively and any of their associates.

However, this does not apply to a vote cast in favour of Resolution 8A to 8E respectively by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

RESOLUTION 9A: APPROVAL TO ISSUE OPTIONS TO A DIRECTOR – BRADLEY JAMES DRABSCH

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

“That, subject to each of the Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for the Company to issue 8,000,000 unlisted options (each with an exercise price of \$0.045 (4.5 cents) (which exercise price is less than the \$0.20 required by ASX Listing Rule 1.1 [Condition 12]) expiring 30 June 2023, which, upon exercise, entitle the holder to one fully paid ordinary share in the Company) to Bradley James Drabsch (and/or his nominee(s)) as described in the Memorandum which accompanied and formed part of this Notice.”

A voting exclusion statement and voting prohibition as set out below in this Notice applies to this Resolution 9A.

RESOLUTION 9B: APPROVAL TO ISSUE OPTIONS TO A DIRECTOR – STEVEN FORMICA

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

“That, subject to each of the Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for the Company to issue 2,000,000 unlisted options (each with an exercise price of \$0.045 (4.5 cents) (which exercise price is less than the \$0.20 required by ASX Listing Rule 1.1 [Condition 12]) expiring 30 June 2023, which, upon exercise, entitle the holder to one fully paid ordinary share in the

Company) to Steven Formica (and/or his nominee(s)) as described in the Memorandum which accompanied and formed part of this Notice.”

A voting exclusion statement and voting prohibition as set out below in this Notice applies to this Resolution 9B.

RESOLUTION 9C: APPROVAL TO ISSUE OPTIONS TO A DIRECTOR – DENNIS MORTON

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

“That, subject to each of the Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for the Company to issue 12,000,000 unlisted options (each with an exercise price of \$0.045 (4.5 cents) (which exercise price is less than the \$0.20 required by ASX Listing Rule 1.1 [Condition 12]) expiring 30 June 2023, which, upon exercise, entitle the holder to one fully paid ordinary share in the Company) to Dennis Morton (and/or his nominee(s)) as described in the Memorandum which accompanied and formed part of this Notice.”

A voting exclusion statement and voting prohibition as set out below in this Notice applies to this Resolution 9C.

Voting Exclusion Statement – Resolutions 9A – 9C

The Company will disregard any votes cast in favour of Resolution 9A and 9C respectively by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) under Resolution 9A and 9C respectively and any of their associates.

However, this does not apply to a vote cast in favour of Resolution 9A and 9C respectively by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

Voting Prohibition – Resolutions 9A to 9C

*Other than as set out below, a vote must not be cast on Resolutions 9A to 9C (or any one of them) as proxy by a member of the key management personnel of the Company, details of whose remuneration are included in the 2019 Remuneration Report or a closely related party of such member (**Restricted Voter**).*

A Restricted Voter may cast a vote of Resolutions 9A to 9C (or any one of them) as proxy if either:

- *the Restricted Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or*
- *the Restricted Voter is the Chair and the written appointment of the Chair as proxy:*
 - *does not specify the way the proxy is to vote on this Resolution; and*
 - *expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

RESOLUTION 10: INCREASE OF NON-EXECUTIVE DIRECTOR REMUNERATION POOL

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

"That, for the purposes of ASX Listing Rule 10.17, the Company's constitution and for all other purposes, the maximum aggregate annual sum that may be payable collectively to the non-executive Directors of the Company be increased by \$100,000, from \$300,000 per annum to \$400,000 per annum."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a Director of the Company or any of their associates.

However, the Company need not disregard a vote if it is cast by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

Voting Prohibition

Other than as set out below, a vote on Resolution 10 must not be cast as proxy by a Restricted Voter.

A Restricted Voter may cast a vote on Resolution 10 as a proxy if either:

- *the Restricted Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or*
- *the Restricted Voter is the Chair and the written appointment of the Chair as proxy:*
 - *does not specify the way the proxy is to vote on this Resolution; and*
 - *expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

AGM BUSINESS RESOLUTIONS

2020 ANNUAL FINANCIAL STATEMENTS

To lay before the meeting and consider the Annual Financial Statements of the Company in respect of the year ended 31 December 2020 and comprising the Annual Financial Report, the Directors' Report and the Auditor's Report.

RESOLUTION 11: NON-BINDING RESOLUTION TO ADOPT REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

"That the Company approve the adoption of the Remuneration Report, included in the Directors' Report, for the year ended 31 December 2020."

Voting Prohibition:

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of a Restricted Voter.

*However, a person (**voter**) may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a Restricted Voter and the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on Resolution 1. The Chairman may also exercise undirected proxies if the vote is cast on behalf of a person entitled to vote on Resolution 1 and the proxy appointment expressly authorises the Chairman to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of members of the key management personnel of the Company.*

Voting Note:

Directors of the Company who are key management personnel whose remuneration details are included in the 2020 Remuneration Report, any other key management personnel whose remuneration details are included in the 2020 Remuneration Report, or any of their closely related parties, will not be able to vote on Resolution 1 or to vote undirected proxies held by them on Resolution 1.

RESOLUTION 12A: RE-ELECTION OF MR ADRIEN WING AS A DIRECTOR

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

“That, in accordance with Article 12.3 of the Company’s constitution and for all other purposes, Mr Adrien Wing, who retires and being eligible, offers himself for re-election, be re-elected as a Director on the terms and conditions in the Explanatory Memorandum.”

RESOLUTION 12B: ELECTION OF MR DENNIS MORTON AS A DIRECTOR

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

“That, in accordance with Article 12.7 of the Company’s constitution and for all other purposes, Mr Dennis Morton, who retires and being eligible, offers himself for election, is elected as a Director on the terms and conditions in the Explanatory Memorandum.”

Dated: 31 May 2021

By the order of the Board

A handwritten signature in black ink, appearing to read 'Adrien Wing', with a horizontal line underneath.

Adrien Wing
Director and Company Secretary

The accompanying Memorandum and the Proxy and Voting Instructions form part of this Notice.

PROXY AND VOTING INSTRUCTIONS

PROXY INSTRUCTIONS

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the registered office of the Company or sent by facsimile transmission to (03) 9614 0550 no less than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act 2001 (Cth). A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the Meeting (**Chair**) as your proxy.

A proxy form is attached to the Notice.

HOW THE CHAIR WILL VOTE UNDIRECTED PROXIES

Except where prohibited to do so, the Chair of the meeting will vote undirected proxies on, and in favour of, all of the proposed Resolutions.

CORPORATE REPRESENTATIVES

Any corporation which is a member of the Company may appoint a proxy, as set out above, or authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

Corporate representatives are requested to bring appropriate evidence of appointment as a representative in accordance with the constitution of the Company. Attorneys are requested to bring the original or a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

VOTING ENTITLEMENT

For the purposes of the Corporations Act and Corporations Regulations, shareholders entered on the Company's Register of Members as at 11am (Adelaide time) on 28 June 2021 are entitled to attend and vote at the meeting. Further details are set out on the cover of the Notice.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

SPECIAL RESOLUTION

For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution. Resolution 7 is a special resolution.

**HIGH GRADE METALS LIMITED [ABN 55 062 879 583]
EXPLANATORY MEMORANDUM**

This Explanatory Memorandum (**Memorandum**) accompanies and forms part of the Notice of Annual General Meeting (**Notice**) issued to convene the 2021 annual general meeting (**Meeting**) of the shareholders of High Grade Metals Limited (**Company** or **High Grade** or **HGM**) to be held at the offices of BDO, Level 7, 420 King William Street, Adelaide SA 5000 at 11am (Adelaide time) on 30 June 2021.

The Notice incorporates, and should be read together with, this Memorandum. Reference to “section” in this Memorandum are to that relevant section of this Memorandum.

The Resolutions to be considered in the Meeting relate to the following business:

- Resolutions 1A to 10 seek shareholder approval for the proposed acquisition by the Company of all of the issued capital of Jade Gas Pty Ltd and ancillary matters. Details of the Resolutions in connection with the Transaction are set out until page 65 of this Memorandum; and
- Resolutions 11 to 12B seek shareholder approval in connection with matters typically considered at an annual general meeting, including adoption of the remuneration report and director elections and re-elections. The annual general meeting business component of this Memorandum commences on page 66 of this Memorandum.

IMPORTANT NOTE: NUMBERS AND PERCENTAGES

Unless otherwise stated, numbers, issue prices, exercise prices and conversion prices of securities in the Notice and this Memorandum are on a post-consolidation basis. To determine:

- the number of securities on a pre-consolidation basis, multiply the stated number of securities by 5 (for example, every 1 security becomes 5 securities following the consolidation); and
- the issue price or exercise price of securities on a post-consolidation basis, divide the stated issue price or exercise price by 5 (for example, if a security has an existing issue price or exercise price of \$0.03 (3 cents) post-consolidation then that security will have an issue price or exercise price of \$0.006 (0.6 cents) post-consolidation).

All figures stated on a post-consolidation basis are subject to rounding.

All percentages are rounded up unless otherwise stated.

The Company will not issue any securities the subject of the Resolutions contained in the Notice prior to the completion of the 5 for 1 consolidation for which approval is sought under Resolution 6.

Items of business – Transaction component

EXECUTIVE SUMMARY – TRANSACTION RESOLUTIONS

Pages 13 to 16 summarise the background of Resolutions 1A to 10 as set out in the Notice.

Key matters regarding the proposed acquisition by the Company of all the issued capital of Jade, including acquisition by the Jade Vendors generally, and Joseph Patrick Burke (and his associates) specifically, of a relevant interest in more than 20% of the voting shares of the Company as a result of the Transaction and the Company giving financial benefits to the Jade Vendors who may be deemed to be related parties, are summarised in this executive summary. Shareholders are encouraged to read the Notice and accompanying Memorandum (including its Annexures) in full prior to voting.

Capitalised terms in this executive summary are as defined throughout the Memorandum.

This Executive Summary relates to the background for Resolutions 1A to 10 (being the Resolutions for, or ancillary to, the Transaction) only and in particular does not include Resolutions 11 to 12B.

Business of the Meeting - Transaction

As announced to the ASX on 7 July 2020, the Company has entered into a binding but conditional Terms Sheet to acquire all the issued capital of Jade from the Jade Vendors.

Further details regarding the Transaction are set out in the Memorandum.

The Meeting has been called to seek shareholder approvals for the Transaction, and matters connected with the Transaction, as set out below:

- (a) The approval of the Transaction for the purposes of the ASX Listing Rules (Resolutions 1A and 1B). Resolution 1A seeks shareholder approval for the change of the nature and scale of the activities of the Company (ASX Listing Rule 11.1.2) and Resolution 1B seeks shareholder approval for the acquisition of a substantial asset from a related party (ASX Listing Rule 10.1).

As the Company is seeking shareholder approval under Resolution 2 for the purposes of item 7 of section 611 of the Corporations Act for the Jade Vendors generally, and Joseph Patrick Burke (and his associates) specifically to acquire up to a maximum relevant interest in the voting shares of the Company of more than 20% as a result of the issue of the Consideration Shares and the issue of shares upon the exercise of all the Consideration Options (being the maximum relevant interest that may be held by the Jade Vendors generally and Mr Burke (and/or his associates) specifically), no resolution is required to be put under and for the purposes of ASX Listing Rules 7.1 and/or 10.11 in connection with the issue of the Consideration Shares or Consideration Options.

- (a) The relevant interest of the Jade Vendors generally in the voting shares of the Company increasing from approximately 5.57% to a maximum of 72.11% (rounded up to two decimal places), and the relevant interest of Joseph Patrick Burke (and his associates) specifically in the voting shares of the Company increasing from 0% to a maximum of 34.72% (rounded up to two decimal places) (Resolution 2), each being an increase of a relevant interest from less than 20% to a relevant interest of more than 20%.
- (b) The consolidation of the Company's capital on the basis of 5 for 1 (with convertible securities to be similarly reconstructed) (Resolution 3).
- (c) The giving of a financial benefit (being the issue of the Consideration Shares and Consideration Options) to the Jade Vendors who may be deemed related parties (Resolution 4).
- (d) The election of Joseph Patrick Burke and Daniel William Eddington, each as a nominee of the Jade Vendors, as Directors of the Company, subject to and with effect from completion of the Transaction (Resolutions 5A and 5B).
- (e) Approval for the issue of 250,000,000 fully paid ordinary shares at \$0.03 (3 cents) per share (including approval to issue the shares at a subscription price of less than \$0.20 (20 cents) per

share as required by ASX Listing Rule 2.1 [Condition 2]) to raise \$7.5 million (before costs) in connection with the Company seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules (Resolution 6).

- (f) Changing the name of the Company to “Jade Gas Holdings Limited” and to make minor alterations to the Constitution to reflect the change of name (Resolution 7).
- (g) Approval for certain existing Directors of the Company (and/or their nominee(s)) to participate in the Transaction Capital Raising (including approval to issue the shares to these Directors at a subscription price of less than \$0.20 (20 cents) per share as required by ASX Listing Rule 2.1 [Condition 2]) referred to in paragraph (e) above (Resolutions 8A – 8E).
- (h) Approvals for the issue of options to Bradley James Drabsch, Steven Formica and Dennis Morton (and/or their respective nominee(s)) (including approval to issue the options to these Directors with an exercise price of less than \$0.20 (20 cents) per option as required by ASX Listing Rule 2.1 [Condition 2]), each of whom is a current Director of the Company (Resolutions 9A - 9C).
- (i) Approval for the aggregate non-executive director fee pool to increase by \$100,000, from \$300,000 to \$400,000 (Resolution 10).

Further details of each of the above is set out in this Memorandum:

- The Independent Expert’s Report prepared by BDO is set out in Annexure A.
- The Solicitor’s Report prepared by Minter Ellison LLP and ME MGL Advocates LLP is set out in Annexure E.
- Sections 2, 3, 12 and 13 provide detail regarding the Transaction, the acquisition of a relevant interest by the Jade Vendors and Joseph Patrick Burke (and his associates), the basis on which a related party approval for the purposes of Chapter 2E of the Corporations Act is sought by the Company, the financial benefit(s) proposed to be obtained in connection with the Transaction and the effect of the Transaction on the control of the Company.
- Section 8.3 sets out a summary of the Statement of Intentions of certain key Jade Vendors. Annexure B sets out the Statement of Intention of certain key Jade Vendors in full.
- Section 8 provides detail about Jade and its business.
- Section 9 and Annexure C set out the pro-forma statement of financial position for the Company including adjustments for completion of the Transaction.
- Section 10 sets out risks associated with the business of the Company, including following completion of the Transaction.
- Sections 5.3 sets out details of the Consolidation and Section 7 the capital structure of the Company including following completion of the Transaction (on both a pre and post Consolidation basis).
- Section 11 provides details about the Directors of the Company, who will continue as Directors following completion of the Transaction, including their interest(s) in the securities of the Company and a biography for each of them.
- Section 5.2 provides details of the Transaction Capital Raising and the proposed participation by Directors in the Transaction Capital Raising.
- Section 5.4 provides details of the proposed change of name and the minor alterations to the Constitution to reflect the change of name.
- Section 5.5 sets out details about the proposed issue of Incentive Options to Directors.

- Section 5.6 sets out details of the proposed increase to the maximum aggregate amount that may be paid to the non-executive Directors of the Company.
- Section 5.7 sets out the waivers of the ASX Listing Rules applied for by the Company and previously granted by ASX as announced on 17 September 2020. ASX subsequently advised that the Company would need to seek to refresh the waivers of the ASX Listing Rules as previously granted by ASX to obtain the benefit of the waivers. In accordance with the requirements of ASX, the Company has applied to refresh the waivers of the ASX Listing Rules as previously granted by ASX. The Company anticipates that it will announce the results of the application to refresh the waivers between the date of the Notice and the date of the Meeting.
- Annexure D provides the full terms of the Consideration Options and Incentive Options.
- Section 6 sets out an overview of the Resolutions relating to the Transaction under the Notice. Details of the Resolutions are set out in full in section 14.
- Sections 15 provides Director recommendations for the Resolutions (as applicable). These recommendations are also set out in summary form on page 16.

Completion

The conditions precedent of completion of the Transaction are set out in section 2 and include, amongst other matters, shareholders approving Resolutions 1A to 6 as set out in the Notice and ASX giving its conditional approval for the re-admission of the Company to the Official List of ASX.

Independent Expert's Report

An Independent Expert's Report prepared by BDO regarding the Transaction and in particular:

- acquisition by:
 - the Jade Vendors of a relevant interest of more than 20%; and
 - Joseph Patrick Burke (and his associates) of a relevant interest of more than 20%; and
- the provision of financial benefits to, and the acquisition of a substantial asset from, the Jade Vendors, who may be considered to be related parties of the Company under section 228(6) of the Corporations Act and the ASX Listing Rules,

is attached as Annexure A.

The conclusion of the Independent Expert is that:

- (a) the relevant interest acquisition by the Jade Vendors for which shareholder approval is sought under Resolution 2 (including the specific acquisition by Joseph Patrick Burke (and his associated entities) is not fair but reasonable to non-associated shareholders; and
- (b) the giving of financial benefits to, and the acquisition of a substantial asset from, the Jade Vendors, as related parties of the Company, for which shareholder approval is sought under Resolutions 1B and 4, are not fair but reasonable to non-associated shareholders.

See the Independent Expert's Report attached as Annexure A for further detail.

Solicitor's Report

A Solicitor's Report prepared by Minter Ellison LLP and ME MGL Advocates LLP the provides further details of the history and tenure in respect of the Project is contained in Annexure E.

Voting prohibitions/exclusions

The voting prohibition and/or voting exclusion applicable to a Resolution is as set out in the Notice.

Directors recommendations

The Directors strongly recommend shareholders review this Notice, including the Memorandum and the Independent Expert's Report annexed as Annexure A, prior to voting on the Resolutions.

Acquisition Resolutions

The existing Directors of the Company other than Anthony David Hall do not have any interest in the Transaction. Accordingly, each existing Director other than Anthony David Hall recommend that shareholders vote in favour of all of Resolutions 1A to 6 inclusive.

Given JAWAF Enterprises Pty Ltd, an entity associated with Anthony David Hall who is a Director of the Company, is a Jade Vendor and therefore has an interest in the Transaction, Anthony David Hall does not make any recommendation with respect to any of Resolutions 1A to 6 inclusive.

The reasons for the Directors' recommendations in relation to the Acquisition Resolutions is set out in section 15.

Other Resolutions

The Directors unanimously recommend shareholders vote in favour of Resolution 7.

The Directors each abstain from making any recommendation with respect to their personal participation in the Transaction Capital Raising under resolutions 8A to 9C. The Directors do, however, recommend shareholders vote in favour of those resolutions of Resolutions 8A to 9C that do not relate to their personal interests.

As Resolution 10 relates to the aggregate amount payable to the Non-Executive Directors of the Company the Directors do not make any recommendation in respect of Resolution 10.

Further Information

Further detail regarding each of the matters in this executive summary are set out in the Memorandum.

Caution regarding examples and tables

Unless otherwise stated, all examples and tables set out in the Memorandum:

- assume no additional shares are issued other than as specified in the tables and that no existing and future convertible securities convert to fully paid ordinary shares; and
- where post-consolidation figures are included, such figures are subject to rounding; and
- where percentages are included, such percentages are subject to rounding.

Unless such holder(s) is the recipient, the percentage control of all holders would be reduced upon issue of further fully paid ordinary shares and/or the conversion of any existing and/or future convertible securities to fully paid ordinary shares.

1. Overview of the Transaction

On 7 July 2020, the Company announced that it had entered into a binding but conditional Terms Sheet to acquire Jade Gas Pty Ltd (**Jade**), an Australian proprietary company that holds (via a wholly owned subsidiary) joint venture rights, and proposes to acquire further rights, to certain coal bed methane (**CBM**) projects in Mongolia. The Company proposes acquiring Jade by purchasing all the issued capital of Jade from the existing holders of equity and rights to equity in Jade (**Jade Vendors**), which comprises shareholders, options holders and noteholders in Jade. Unless otherwise stated, references to the Jade Vendors in this Memorandum include any of their respective nominee(s) as applicable.

The acquisition by the Company of Jade is referred to in this Memorandum as the **Transaction**.

On 30 May 2021, the Company, Jade and the Key Jade Vendors (defined below) entered into an implementation agreement (**Implementation Agreement**) to refine the terms of the Transaction. The Implementation Agreement replaces the terms sheet previously executed by the parties. A summary of the implementation agreement is set out in sections 2.2, 2.3 and 2.4 of this Memorandum.

In early 2021, Jade raised additional seed capital of \$600,000. The Company and Jade agreed to increase the consideration under the Transaction by 20,000,000 shares, being equal to \$600,000 divided by the price per share under the Transaction Capital Raising of \$0.03 (3 cents) per share.

The Jade Vendors who entered into the Implementation Agreement are: Joseph Burke; GM Ventures & Investments Limited; Scor Go Luath Limited; Daniel Eddington; Julie Eddington; Dacama Pty Ltd (collectively the **Key Jade Vendors**). Further details of the Key Jade Vendors are set out in section 3.

The execution of definitive documentation that is consistent with the Implementation Agreement with all of the Jade Vendors remains a condition precedent of completion of the Transaction.

In the view of the Board (excluding Anthony Hall who is an associate of a Jade Vendor), HGM has undertaken appropriate enquiries into the assets, liabilities, financial position and performance, profit and loss and prospects of Jade for the Board of HGM (excluding Anthony Hall who is an associate of a Jade Vendor) to be satisfied that the Transaction is in the interests of the Company and its security holders. It being noted that further due diligence investigations will be completed ahead of lodgement of the Prospectus for the Transaction Capital Raising described in section 5.2, and that due diligence remains a condition precedent to the Transaction.

Further details of the Transaction, the effect of the Transaction on the Company and information regarding Jade (including its business and operations) are set out throughout this Memorandum.

2. Transaction Terms

Below is an overview of the key terms of the Transaction as provided for in the Agreement:

2.1 Consideration

The Company proposes acquiring all the issued capital of Jade from the Jade Vendors for aggregate consideration comprised of:

- 846,166,667 fully paid ordinary HGM shares (**Consideration Shares**); and
- 68,000,000 unlisted options, each with an exercise price of \$0.045 (4.5 cents), expiry date of 30 June 2023 and which, upon exercise, entitle the holder to one fully paid ordinary share in the capital of the Company (**Consideration Options**). Full terms of the Consideration Options are set out in Annexure D.

2.2 Conditions precedent

The Transaction is subject to various conditions precedent which are set out below:

- The Company obtaining all necessary shareholder approvals for the Transaction (which are sought in Resolutions 1A to 6 of the Notice (**Acquisition Resolutions**));

- The Company and Jade obtaining all required board and regulatory approvals and waivers, including under the ASX Listing Rules and the Corporations Act. These regulatory approvals are anticipated to include, but are not limited to, ASX confirming the Company has successfully re-complied with Chapters 1 and 2 of the ASX Listing Rules subject to satisfaction of usual conditions (including completion of the Transaction). Other than the above, the Company is not aware of any other regulatory approvals it will require to effect the Transaction;
- The Company completing the Transaction Capital Raising (refer section 5.2 for further details);
- There not having been any material adverse change to the financial position of Jade between the date of execution of the Terms Sheet and completion of the Transaction;
- Jade and its subsidiaries collectively having net liabilities of less than \$100,000;
- Execution by the Jade Vendors (and their respective nominee(s) as the case may be) of restriction agreement(s) with respect to the Consideration Shares and/or Consideration Options as required by ASX;
- Completion by the Company and Jade of due diligence to their reasonable satisfaction; and
- Execution of definitive documents for the Transaction by the Company and the Jade Vendors.

2.3 Other material terms

The Agreement otherwise contains the following terms:

- (a) Jade and certain key Jade Vendors agreeing to certain pre-completion covenants with respect to the activities of Jade and completion of the Transaction, including in respect of the capital structure and material contracts of Jade and specific actions to be taken by Jade in connection with the licences it or its subsidiary(ies) hold.
- (b) Warranties from the Company, Jade and the Jade Vendors including with respect to title and power and no insolvency of the parties, with Jade providing warranties with respect to the licenses. The Terms Sheet expressly provides for the Jade Vendors and key representative of Jade providing further representations and warranties under the definitive documents.
- (c) Provisions relating to confidentiality, dispute resolution and governing law.

2.4 Indicative timetable

An indicative timetable for the Transaction is set out below:

Announcement of the Transaction to ASX	7 July 2020
Date of the Notice	31 May 2021
Date of the Meeting	30 June 2021
Lodgement of the prospectus with ASIC and ASX for the Transaction Capital Raising	30 June 2021
Opening date of the offer under the prospectus	8 July 2021
Effective date of Consolidation	30 June 2021
Record Date for Consolidation	5 July 2021
Completion of Consolidation	12 July 2021
Closing date of the offers under the prospectus	6 August 2021
Completion of the Transaction	20 August 2021
Dispatch of holding statements	23 August 2021

Re-quotation of shares on ASX	25 August 2021

Please note that the dates in the above timetable are indicative only and are subject to change.

3. Jade Vendors

3.1 Apportionment of consideration

Each of the Jade Vendors noted in the table below will receive Consideration Shares which represent more than 5% of the voting shares in the Company on completion of the Transaction (i.e. more than approximately 60.5 million Consideration Shares). The table shows those Jade Vendors' current and proposed post-Transaction holdings in the Company and their respective proportions of the aggregate Consideration Shares (rounded to two decimal places) that are proposed to be issued by the Company upon completion of the Transaction.

None of the Jade Vendors noted in the table below are to receive Consideration Options:

Jade Vendor	Current HGM shares (% HGM shares)	Consideration Shares (% of Consideration Shares)	HGM Shares post-issue of Consideration Shares (% HGM shares)
GM Ventures & Investments Limited	Nil	334,240,000 (39.50%)	334,240,000 (27.64%)
UB Methane	Nil	87,000,000 (10.28%)	87,000,000 (7.19%)
Scor Go Luath Limited	Nil	80,334,664 (9.49%)	80,334,664 (6.64%)

**Note: assumes completion of the Consolidation. Post-Consolidation figures are subject to rounding*

The Company notes the following:

- Each of GM Ventures & Investments Limited and Scor Go Luath Limited are associated with Joseph Patrick Burke. In addition to the number of Consideration Shares to be received by those entities, Joseph Patrick Burke is also proposed to receive 4,000 Consideration Shares and 8,000,000 Consideration Options. If all Consideration Options proposed to be issued to Joseph Patrick Burke are exercised, he will, in combination with his associates, have a relevant interest in approximately 34.72% (rounded up to two decimal places) of the voting shares of the Company (assuming no other Consideration Options held by other Jade Vendors or other options are exercised into shares).
- Each of Daniel and Julie Eddington (47,526,668 Consideration Shares, 2,100,001 HGM shares (10,500,002 pre-Consolidation)), Dacama Pty Ltd (18,800,000 Consideration Shares, 150,000 HGM shares (750,000 pre-Consolidation)) and Dejul Trading Pty Ltd (848,201 HGM shares (4,241,002 pre-Consolidation)) are associated with Daniel Eddington. In addition to the number of Consideration Shares to be received by those entities, Daniel Eddington is proposed to receive 4,000,000 Consideration Options. If all Consideration Options proposed to be issued to Daniel Eddington and all options held by Daniel and Julie Eddington are exercised he will, in combination with his associates, have a relevant interest in approximately 6.06% (rounded up to two decimal places) of the voting shares of the Company (assuming no other Consideration Options held by other Jade Vendors or other options are exercised into shares).

3.2 Relevant interest – Jade Vendors

The Jade Vendors currently collectively hold fully paid ordinary shares in the Company representing a relevant interest of approximately 5.57% (rounded up to two decimal places) in the current issued voting share of the Company.

The relevant interest held collectively by the Jade Vendors will increase upon each of the issue of the Consideration Shares to the Jade Vendors and the subsequent exercise and conversion of the Consideration Options to fully paid ordinary HGM shares.

In the view of the Board, each of the Jade Vendors are distinct, separate entities who are acting in their own individual interests in determining whether to dispose of the shares and other rights and interests that they hold in Jade. Notwithstanding this position, the Board notes that, as the Jade Vendors have a common goal in pursuing the Transaction, there is a technical argument that the Jade Vendors are acting in concert for the purposes of pursuing the Transaction and are therefore associated until such time as the Transaction completes.

In addition and as set out in section 3.1, Joseph Patrick Burke (and his associated entities) will in combination have the potential to acquire a maximum relevant interest of 34.72% (rounded up to two decimal places) of the voting shares of the Company.

For the avoidance of doubt, the relevant interest to be acquired by Mr Burke (and his associates) forms part of, and is not in addition to, the collective relevant interest of the Jade Vendors.

Noting the above, the Board has determined to seek shareholder approval for the Jade Vendors collectively acquiring an aggregate percentage relevant interest in the voting shares of the Company in excess of 20% and, as part of the same Resolution, Joseph Patrick Burke (and his associates) in combination acquiring a percentage relevant interest in the voting shares of the Company in excess of 20% (which would have been sought in any event). The Board made this determination to provide shareholders the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report.

Accordingly, the Company is seeking shareholder approval pursuant to item 7 of Section 611 of the Corporations Act 2001 (Cth) (**Act or Corporations Act**) for the Jade Vendors to increase their collective aggregate relevant interest in the voting shares of the Company from approximately 5.57% up to a maximum of 72.11% (rounded up to two decimal places). In addition, the Company is seeking shareholder approval pursuant to item 7 of Section 611 of the Act for Joseph Patrick Burke (and his associated entities) to increase his and his associates aggregate relevant interest in the voting shares of the Company from 0% to up to a maximum of 34.72% (rounded up to two decimal places). Each of these approvals is sought under Resolution 2.

Further details including illustrative tables are set out in section 12.

3.3 Providing financial benefits to related parties

The actual and potential related party links between the Company and the Jade Vendors are as described below:

- (a) JAWAF Enterprises Pty Ltd is a current related party of the Company due to being an entity associated with Anthony David Hall, who is a current Director of the Company. It is expressly noted that Mr Hall did not participate in the negotiation of the Transaction and continues to be excluded by the other members of the Board from any involvement in the Transaction;
- (b) Joseph Patrick Burke, GM Ventures & Investments Limited and Scor go Luath Limited (being entities associated with Joseph Patrick Burke as noted above) and Daniel William Eddington, Julie Eddington, Dacama Pty Ltd and Dejul Trading Pty Ltd (being entities associated with Daniel William Eddington), are each related parties of the Company due to Mr Eddington and Mr Burke being proposed to be appointed as Directors of the Company in connection with the Transaction and therefore each of the relevant Jade Vendors is an entity for whom the Company has a reasonable basis for believing will become related parties of the Company in future as contemplated by section 228(6) of the Corporations Act; and

- (c) There is a technical argument that the remaining Jade Vendors may be considered to be acting in concert with the Jade Vendors who are related parties as specified in (a) and (b) above in pursuing the Transaction as set out in section 3.2. Accordingly, the other Jade Vendors not the subject of (a) and (b) above may nonetheless be considered to be related parties of the Company as provided for under section 228(7) of the Corporations Act (although the Company takes a contrary position on this interpretation and, to the extent that any such association exists, it will end on completion of the Transaction). Further details are set out in section 3.2.

Noting the above, Resolution 4 seeks approval for the issue of the Consideration Shares and Consideration Options to the Jade Vendors to the extent that such issues constitute the giving of a financial benefit to a related party(ies) for which, subject to certain exceptions, shareholder approval is required under Chapter 2E of the Act.

The Board consider that there are factors which may indicate that the Transaction is, and was negotiated, on arm's length terms and therefore shareholder approval for the purposes of Chapter 2E of the Corporations Act is not required. Notwithstanding this, the Directors have determined to seek shareholder approval for the purposes of Chapter 2E of the Corporations Act (i.e. on the basis that the Transaction does not meet the arm's length exception under the Corporations Act) to provide shareholders with the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report. Further details are set out in section 13 and Annexure A.

The Board does not consider that Jade itself is a related party of the Company on the basis that Anthony David Hall, a Director of the Company and an associate of a Jade Vendor as identified above, does not control Jade nor the Company and did not participate in the decision making process and the other potential related party links between the Company and Jade are specific exceptions under ASX Listing Rule 10.3(g).

Notwithstanding this position, the Directors have determined to seek shareholder approval for the Transaction for the purposes of ASX Listing Rule 10.1 to provide shareholders with the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report. Further details are set out in section 14 and Annexure A. Having regard to the relevant guidance from ASIC, the Directors considered it necessary and appropriate to engage an independent expert to consider the Transaction, and in particular the value of the shares offered to the Jade Vendors. Accordingly, the Directors do not consider it appropriate that they separately provide any view or opinion on the value of the Consideration Shares. That said, for the purposes of full disclosure, the value attributed to the Consideration Shares to be issued to each of Anthony David Hall, Joseph Patrick Burke and Daniel William Eddington (and their respective associates), being the related parties of the Company who are also Jade Vendors, on a post-consolidation basis (at both the Transaction Capital Raising issue price and on the basis of the preferred value adopted by the independent expert) is set out in the table below.

Recipient	Consideration Shares	Total \$ Value (Assuming the 'preferred value' adopted by the independent expert) ^(a)	Total \$ Value (On the basis of the value per share of the Capital Raising) ^(b)
Anthony David Hall	44,938,336	\$359,506	\$1,348,150
Joseph Patrick Burke	414,574,664	\$3,316,597	\$12,437,240
Daniel William Eddington	66,326,668	\$530,613	\$1,989,800
Total	525,839,668	\$4,206,716	\$15,775,190

The calculation of the value attributed to the Consideration Shares to be received by each of the above named related parties (in combination with their associates) is based on the following alternatives:

- (a) A value per Consideration Share of \$0.008. This value is the preferred value of an HGM share on a minority interest basis as set out in Section 2.4 of the Independent Expert's Report in Annexure A.
- (b) A value per Consideration Share of \$0.03. This value is the price of a HGM share offered under the Transaction Capital Raising.

4. Independent Expert's Report

An Independent Expert's Report has been prepared by BDO Corporate Finance (SA) Pty Ltd (**BDO or Independent Expert**) in respect of the Transaction and in particular the relevant interest acquisition by the Jade Vendors (including the separate acquisition of a relevant interest by Joseph Patrick Burke (and his associates) for the purposes of item 7 of section 611 of the Act (Resolution 2) and the giving of financial benefits to, and the acquisition of a substantial asset from, the Jade Vendors for the purposes of Chapter 2E of the Act and ASX Listing Rule 10.1 (Resolutions 1B and 4).

The Independent Expert's Report is enclosed with this Memorandum as Annexure A.

The conclusion of the Independent Expert is that:

- (a) the relevant interest acquisition by the Jade Vendors (including the separate acquisition of a relevant interest by Joseph Patrick Burke) is not fair but reasonable to non-associated shareholders; and
- (b) the giving of financial benefits to, and the acquisition of a substantial asset from, the Jade Vendors (to the extent they are considered related parties of the Company) are not fair but reasonable to non-associated shareholders.

The Directors' strongly recommend shareholders read the Notice and this Memorandum (including its Annexures) prior to determining how to vote on the Resolutions in the Notice.

5. Matters ancillary to the Transaction

5.1 Post-Transaction Board

Joseph Patrick Burke and Daniel William Eddington are proposed to join the Board as Directors of the Company on and from completion of the Transaction, subject to receipt of shareholder approval.

Each of Anthony Hall, Bradley James Drabsch and Dennis Morton are proposed to continue as Directors of the Company on and from completion of the Transaction.

It is proposed that Steven Formica and Adrien Wing, each an existing Director of the Company, will retire at completion of the Transaction. Mr Wing is proposed to continue as Company Secretary.

The existing and proposed security holdings in the Company of the existing and proposed Directors and a biography for each of them is set out in section 11.

5.2 Transaction Capital Raising

The Company must re-comply with Chapters 1 and 2 of the ASX Listing Rules as a condition of the Transaction. In connection with achieving re-compliance with Chapters 1 and 2 of the ASX Listing Rules, the Company proposes issuing 250,000,000 fully paid ordinary shares (**Capital Raising Shares**) at an issue price of \$0.03 (3 cents) per Capital Raising Share to raise \$7.5 million before costs (**Transaction Capital Raising**). The Company is also seeking shareholder approval for the Capital Raising Shares to be issued at less than \$0.20 (20 cents) each as required by ASX Listing Rule 2.1 [Condition 2] (including to Directors as referred to below).

The Transaction Capital Raising will be conducted by way of an offer to be made under a prospectus proposed to be issued by the Company (**Prospectus**). In addition to enabling the Company to comply with the disclosure requirements of Chapter 6D of the Corporations Act, the prospectus will be part of

re-compliance by the Company with Chapter 1 and Chapter 2 of the ASX Listing Rules and recommencement of trading in the Company's fully paid ordinary shares on the Official List of the ASX.

Completion of the Transaction Capital Raising will be subject to and conditional upon shareholders passing all of the Acquisition Resolutions, the Company receiving valid subscriptions for all of the Capital Raising Shares and the completion of the Transaction.

An indicative use of the funds to be raised under the Transaction Capital Raising and expenditure of funds on its business objectives as held at re-compliance is set out in the table below:

Activity	Year 1	Year 2
Project evaluation	\$122,000	-
Exploration and appraisal activities	\$2,197,000	\$2,130,000
Commercial studies	\$71,000	\$260,000
Costs of the offer	\$650,000	-
Administration and working capital	\$940,000	\$1,130,000
Total	\$3,980,000	\$3,520,000

** Administration costs are comprised of actual and proposed staff and management wages/fees (both Australia and Mongolia), estimates of professional and advisor fees (including accounting and audit, regulatory fees, legal fees) (both Australia and Mongolia), rental and associated costs and other operating costs (including share registry fees, non-executive director fees, estimates of marketing and investor relations costs and budgets for travel).*

The above use of funds table is indicative only and is subject to change.

The Company is seeking shareholder approval for the existing Directors of the Company named in the table below to have the right, but not the obligation, to participate in the Transaction Capital Raising by each subscribing for up to the maximum numbers Capital Raising Shares as set out in the table below:

RESOLUTION	PARTICIPANT*	MAXIMUM SUBSCRIPTION	MAXIMUM CAPITAL RAISING SHARES (POST-CONSOLIDATION)
8A	Anthony Hall	\$120,000	4,000,000
8B	Bradley Drabsch	\$25,000	833,334
8C	Steven Formica	\$200,000	6,666,667
8D	Adrien Wing	\$200,000	6,666,667
8E	Dennis Morton	\$50,000	1,666,667
TOTAL		\$595,000	19,833,335

**Note: may be issued to a nominee(s) of a named participant*

5.3 Consolidation of issued capital

The Company proposes consolidating its issued capital on a 5 for 1 basis (**Consolidation**). The purpose of the Consolidation is to implement a more appropriate capital structure for the Company having regard to the Transaction, the Transaction Capital Raising and the Company seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules generally. Further details are set out in section 7.

5.4 Change of name and constitution amendment

Subject to and conditional upon completion of the Transaction, the Company is proposing to change its name to “**Jade Gas Holdings Limited**”, including to make minor alterations to the constitution of the Company (**Constitution**) to reflect the name change. The name change and the minor alterations to the Constitution are proposed to take effect when ASIC changes the name of the Company. The Company also proposes changing its ASX code, the details of which will be set out in the Prospectus.

5.5 Incentive Options

Shareholder approval is sought for the issue of an aggregate of 22,000,000 unlisted options, each with an exercise price of \$0.045 (4.5 cents) (which is less than the \$0.20 required by ASX Listing Rule 1 [Condition 12]), expiry date of 30 June 2023 and which, upon exercise, entitle the holder to one fully paid ordinary share in the capital of the Company (**Incentive Options**). The Incentive Options have the same terms as the Consideration Options.

The full terms of the Incentive Options are set out in Annexure D.

The proposed recipients and number of Incentive Options to be received by each (on a pre and post Consolidation basis) are set out in the table below:

RESOLUTION	RECIPIENT*	INCENTIVE OPTIONS (POST-CONSOLIDATION)
9A	Bradley Drabsch	8,000,000
9B	Steven Formica	2,000,000
9C	Dennis Morton	12,000,000
TOTAL		22,000,000

**Note: may be issued to a nominee(s) of a named recipient*

The issue of the Incentive Options is subject to and conditional upon completion of the Transaction.

5.6 Increase of Non-Executive Director remuneration pool

The Company is seeking shareholder approval to increase the maximum aggregate amount that may be paid collectively to the non-executive Directors (commonly referred to as the “non-executive Director remuneration pool”) by \$100,000, from \$300,000 to \$400,000.

5.7 ASX waiver

As announced on 17 September 2020, the Company previously applied for and was granted certain waivers by ASX of the ASX Listing Rules. ASX subsequently advised that the Company would need to seek to refresh the waivers of the ASX Listing Rules as previously granted by ASX to obtain the benefit of the waivers. In accordance with the requirements of ASX, the Company has applied to refresh the waivers of the ASX Listing Rules as previously granted by ASX.

The Company anticipates that it will announce the results of the application to refresh the waivers between the date of the Notice and the date of the Meeting.

An overview of the waivers of the ASX Listing Rules applied for by the Company and previously granted by ASX in connection with the Transaction and the Resolutions in the Notice are set out below for indicative purposes, however the Company does not expect that, if the waivers are refreshed, the terms of such waivers will materially differ from the waivers previously granted:

- (a) The Company previously received a waiver of ASX Listing Rule 1.1 Condition 12 to permit the Consideration Options and the Incentive Options to have an exercise price of less than \$0.20 (20 cents) each. This waiver was granted subject to the following conditions: the exercise price of the Consideration Options and the Incentive Options being not less than \$0.02 (2 cents); the terms of the waiver being disclosed to the market (refer to the ASX release on 17 September

2020) and, along with the terms and conditions of the Consideration Options and Incentive Options, are clearly disclosed in the notice of meeting pursuant to which the Company will seek approval required under ASX Listing Rule 11.1.2 for the Transaction (being this Notice) and in the prospectus to be issued in respect of the Transaction Capital Raising; and the Company's shareholders approving the exercise price of the Consideration Options and Incentive Options in conjunction with the approval obtained under ASX Listing Rule 11.1.2 for the Transaction (Resolution 1A of the Notice).

- (b) The Company previously received a waiver of ASX Listing Rule 2.1 Condition 2 to permit the issue of Capital Raising Shares under the Transaction Capital Raising at a price of less than \$0.20 (20 cents) per Capital Raising Share (which for the avoidance of doubt encompasses any issue of Capital Raising Shares to Directors approved under Resolutions 8A to 8E). This waiver was granted subject to the following condition: the issue price of the Capital Raising Shares being not less than \$0.02 (2 cents); the terms of the waiver being disclosed to the market (refer to the ASX release on 17 September 2020) and, along with the terms and conditions of the Capital Raising Shares, are clearly disclosed in the notice of meeting pursuant to which the Company will seek approval required under ASX Listing Rule 11.1.2 for the Transaction (being this Notice) and in the prospectus to be issued in respect of the Transaction Capital Raising; and the Company's shareholders approving the issue price of the Capital Raising Shares in conjunction with the approval obtained under ASX Listing Rule 11.1.2 for the Transaction (Resolution 1A of the Notice).
- (c) The Company previously received a waiver of ASX Listing Rule 10.13.5 to permit:
 - a. the Directors the subject of Resolution 8A to 8E to be issued Capital Raising Shares in the Transaction Capital Raising (should they elect to participate) no later than the date of issue of the Capital Raising Shares under the Transaction Capital Raising; and
 - b. the issue of the Incentive Options to Directors the subject of Resolutions 9A to 9C no later than the date of issue of the Capital Raising Shares under the Transaction Capital Raising.

For the purposes of this section 5.7(c) the Capital Raising Shares (if any) and Incentive Options to be issued to Directors are referred to as the **Director Securities**. This waiver was granted subject to the following conditions: the Director Securities are issued by no later than the date that the Capital Raising Shares pursuant to the Transaction Capital Raising are issued; the terms of the Director Securities are clearly disclosed in the notice of meeting pursuant to which the Company will seek approval required under ASX Listing Rule 11.1.2 for the Transaction (being this Notice); the circumstances of the Company, as determined by the ASX, have not materially changes since the Company's shareholders approved the issue of the Director Securities; and the terms of the waiver are clearly disclosed in this Notice and the prospectus to be issued in respect of the Transaction Capital Raising.

The Company will provide an update on the status of its application to refresh the waivers of the ASX Listing Rules as previously granted by ASX as and when available.

6. Overview of Meeting Resolutions

For the purposes of this Memorandum, Resolutions 1A to 6 are the **Acquisition Resolutions**. All Acquisition Resolutions are interdependent. Accordingly, if any Acquisition Resolutions are not approved by the Company's shareholders, the Transaction will fail and not be completed.

An overview of the resolutions in the Notice is set out below:

Acquisition Resolutions

- (a) **(Resolutions 1A and 1B)** The approval of the Transaction for the purposes of the ASX Listing Rules is sought under Resolutions 1A and 1B. Resolution 1A seeks shareholder approval to the change of the nature and scale of the activities of the Company (ASX Listing Rule 11.1.2) and Resolution 1B seeks shareholder approval for the acquisition of a substantial asset from a related party (ASX Listing Rule 10.1).

As the Company is seeking shareholder approval for the purposes of item 7 of section 611 of the Act for the Jade Vendors to acquire a relevant interest in the voting shares of the Company of more than 20% as a result of the issue of the Consideration Shares and Consideration Options, no resolution is required to be put to shareholders under and for the purposes of ASX Listing Rules 7.1 and/or 10.11 in connection with the issue of the Consideration Shares or Consideration Options.

- (b) **(Resolution 2)** The issue the Consideration Shares to, and the exercise of the Consideration Options by, the Jade Vendors will result in the aggregate relevant interest of the Jade Vendors in the voting shares of the Company collectively increasing from approximately 5.57% to a maximum aggregate of 72.11% (rounded up to two decimal places). The Company is therefore seeking shareholder approval for the purposes of item 7 of section 611 of the Act for the collective relevant interest of the Jade Vendors in the voting shares of the Company to increase from less than 20% to an amount exceeding 20%.

In addition, Joseph Patrick Burke (and his associated entities) will increase his relevant interest in the voting shares of the Company from 0% to approximately 34.28% (on the basis of the issued of the Consideration Shares and rounded up to two decimal places) and up to a maximum of 34.72% (rounded up to two decimal places and assuming exercise by Mr Burke (and his associates) of the Consideration Options (assuming no other person exercises Consideration Options)). Accordingly, Shareholder approval is also being sought for the purposes of item 7 of section 611 of the Act for the increase of the relevant interest of Mr Burke (and his associates) in the voting shares of the Company from less than 20% to an amount exceeding 20%.

- (c) **(Resolution 3)** The Company is proposing to undertake the Consolidation to consolidate its capital on a 5 for 1 basis. The Consolidation is proposed as a means of implementing a more appropriate capital structure for the Company having regard to the Transaction, the Transaction Capital Raising and the Company seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules.
- (d) **(Resolution 4)** Provision of the Consideration Shares and Consideration Options to the Jade Vendors may be considered for the purposes of Resolution 4 as constituting the giving of a financial benefit to a related party under Chapter 2E of the Act. Shareholder approval is therefore being sought for giving a financial benefit to the Jade Vendors, being the Consideration Shares and Consideration Options. Details of how some of the Jade Vendors may be considered to be related parties of the Company are set out in detail in section 3.3.
- (e) **(Resolutions 5A and 5B)** Subject to the successful completion of the Transaction, Joseph Patrick Burke and Daniel William Eddington are proposed to be appointed as Directors of the Company subject to their respective elections being approved by shareholders.
- (f) **(Resolution 6)** The Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules and, as part of achieving re-compliance, will need to complete the Transaction Capital Raising (which is also a condition precedent of the completion of the Transaction). Resolution 6 also seeks shareholder approval to issue the Capital Raising Shares at an issue price of less than \$0.20 as required by ASX Listing Rule 2.1 [Condition 2].

Ancillary Resolutions

- (g) **(Resolutions 7)** Resolution 7 seeks shareholder approval for the Company to change its name to 'Jade Gas Holdings Limited' and for minor alterations to the Constitution to reflect the change of name. If approved, the change of name and minor alterations to the Constitution are proposed to take effect upon ASIC changing the name of the Company. The Transaction is not conditional upon shareholders passing Resolution 7, however if shareholders do not pass the Acquisition Resolutions then Resolution 7 will be withdrawn.
- (h) **(Resolutions 8A – 8E)** Resolutions 8A to 8E seek approvals for the Directors to participate in the Transaction Capital Raising, it being noted that the approvals are a permission to subscribe for Capital Raising Shares and do not constitute an obligation on the relevant Directors to subscribe for any given amount under the Transaction Capital Raising, or at all. Resolutions 8A to 8E also seeks shareholder approval to issue the Capital Raising Shares to related parties at an issue price

of less than \$0.20 as required by ASX Listing Rule 2.1 [Condition 2].

- (i) **(Resolutions 9A 9B and 9C)** Resolutions 9A, 9B and 9C seek approval for the issue of options to existing Directors, Mr Steven Formica, Mr Dennis Morton and Mr Bradley Drabsch (and/or their nominee(s)). Resolutions 9A to 9C also seek shareholder approval to issue the options with an exercise price of less than \$0.20 as required by ASX Listing Rule 1.1 [Condition 12].
- (j) **(Resolution 10)** Resolution 10 seeks shareholder approval to increase the non-executive Director remuneration pool by \$100,000, from \$300,000 to \$400,000.

7. Effect on Capital Structure

The effect of the completion of the Transaction on the capital structure of the Company (on both a pre-consolidation and post-Consolidation basis) is set out in the tables below:

Shares

	Pre-consolidation	Post-consolidation	% post Transaction
Existing shares	566,172,490	113,234,498	9.36%
Capital Raising Shares	1,250,000,000	250,000,000	20.67%
Consideration Shares	4,230,833,335	846,166,667	69.97%
Total	6,047,005,825	1,209,401,165	100%

Notes to table:

- All numbers are subject to rounding.
- The table assumes no existing or proposed convertible securities (including Consideration Options and/or Incentive Options) convert to fully paid ordinary shares.
- All percentages have been rounded to two decimal places.

Details of the aggregate maximum relevant interest that may be acquired by the Jade Vendors and by Mr Joseph Burke in combination with his associates upon the issue of the Consideration Shares and the exercise of the Consideration Options is set out in sections 3.1 and 12.

Convertible Securities

The Company has the following unlisted options either on issue or that are proposed to be issued:

	PRE-CONSOLIDATION	POST-CONSOLIDATION	EXPIRY DATE
Number: Exercise price:	35,000,000 3 cents (\$0.03)	7,000,000 15 cents (\$0.15)	30 June 2022
Number: Exercise price: Consideration Options to be issued	340,000,000 0.9 cents (\$0.009)	68,000,000 4.5 cents (\$0.045)	30 June 2023
Number: Exercise price: Incentive Options to be issued	110,000,000 0.9 cents (\$0.009)	22,000,000 4.5 cents (\$0.045)	30 June 2023
Total options	485,000,000	97,000,000	-

*all post-Consolidation figures are subject to rounding

The Company has the following performance shares on issue. These performance shares have milestones applicable to the existing Austrian Cobalt Project of the Company:

	PRE-CONSOLIDATION	POST-CONSOLIDATION	EXPIRY DATE
Number: Class A Performance Shares	120,000,000	24,000,000	26 February 2023
Number: Class B Performance Shares	120,000,000	24,000,000	26 February 2023
Total performance shares	240,000,000	48,000,000	

8. About the Company, Jade and the Jade business

8.1 About the Company

The Company was incorporated as Westel Group Limited on 11 January 1994 and was admitted to the official list of the ASX on 13 February 1995. The Company was undertaking the development and marketing of telecommunications and telecommunications related products and services at the time of its initial listing on the ASX, including in the secure wireless communications market.

The Company subsequently changed its name to IC2 Global Limited in July 2004. The Company continued its activities in the communications technology industry and sought to diversify its interest in the communications technology whilst building the distribution and product offerings of its wireless business, including continued involvement in and development of the business previously operated by the Company when it was Westel Group Limited.

The Company changed its name to Quest Minerals Limited in December 2008. The nature of the business of the Company changed from the communications technology industry to focus on engaging in mineral exploration and investment in mineral exploration entities generally.

In February 2018, the Company completed the acquisition of Austrian Projects Corporation Pty Ltd. Following completion of this acquisition, the Company changed its name to High Grade Metals Limited and focused on the exploration of cobalt, nickel and copper property at Leogang and the gold property at Schellgaden, both located in Austria.

Following on from the results of the exploration program on the Austrian portfolio, the Directors of the Company resolved to search for additional investment opportunities that may compliment the Austrian assets and provide the opportunity to more efficiently create value for shareholders. An extensive review and assessment program ensued, with the Directors concluding that the potential to add significant value for shareholders was apparent via the acquisition of Jade.

The Company currently intends to hold its existing Austrian projects on care and maintenance while it seeks to identify a joint venture partner, in accordance with the strategy set out in the announcement of the Company released to ASX, including in the Annual Report of the Company for the Year Ended 31 December 2020 as released to ASX on 24 February 2021, being the most recent periodic financial report released by the Company to ASX as at the date of the Notice.

Noting the above, the Company is proposing to pursue the Jade business as its main undertaking following completion of the Transaction, however it will continue to seek a partner to fund exploration of its existing Austrian projects and will assess the results of such exploration as and when available.

Although the Company will be continuing in the mineral exploration industry in which it has been operating since 2008, acquisition of Jade will materially change the scale of its operations.

Further details of Jade and its business are set out below (in particular sections 8, 9 and 10).

8.2 The Jade opportunity

Jade Gas Pty Ltd (**Jade**) is a gas exploration company focussed on the coal bed methane (**CBM**) potential of Mongolia. The flagship project of Jade is the 60/40 joint venture with Mongolian State-owned entity Erdenes Methane LLC (**EM**) for the exploration and exploitation of the CBM potential in licences over

approx. 665 km² including and surrounding the Tavan Tolgoi coal field in the South Gobi region of Mongolia (**Licence Area**), known as the **TT CBM Project (Project)**.

Ownership Structure

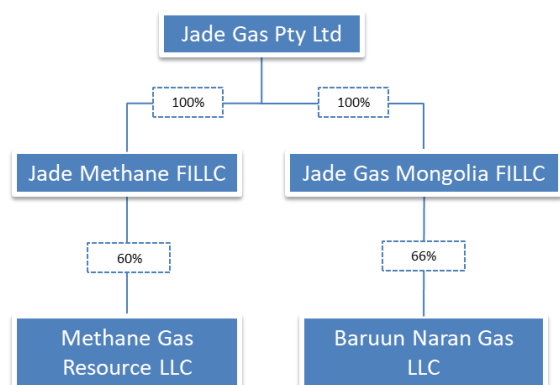


Diagram 8.2A: Corporate Structure Jade at the time of the Transaction

At the time of completion of the Transaction, Jade will have two 100% owned subsidiaries: Jade Gas Mongolia FILLC (**JGM**) (which is currently 100% held) and Jade Methane FILLC (**JMM**).

JMM was incorporated on 14th May 2019 and Jade acquired an 85% interest in it. On 14th May 2020 Jade acquired the remaining 15% from UB Methane LLC, a Mongolian corporation. The consideration for this was the obligation to issue 5,250,000 ordinary shares, 8,250,000 Class B shares and 8,250,000 Class C Performance Shares in Jade pursuant to a Share Sale Agreement dated 30 September 2019. That agreement was conditional upon the proposed ASX reverse takeover transaction and necessary consents and approvals, and the directors expect that although Jade has now acquired the 15% interest in JMM, it will revert to UB Methane LLC if these conditions are not met. Methane Gas Resources LLC is a 60% subsidiary of JMM. It was incorporated on 21st May 2019 and acquired by Jade on 21st May 2019 as part of the JMM acquisition.

Jade holds a 60% interest in the TT CBM Project

Jade, through its subsidiary JMM which is proposed to be 100% owned by Jade at completion of the Transaction as set out above, holds a 60% interest in Methane Gas Resource LLC (**MGR**), the joint venture operating company formed to explore, develop and produce gas from the TT CBM Project. The remaining 40% interest in the joint venture entity is held by Erdenes Methane LLC (**EM**), a Mongolian Government entity. In May 2019, Jade and EM entered into a Shareholders Agreement and an Investment Agreement (the **Agreements**).

The respective shareholdings of EM and JMM in MGR are subject to options described below:

- EM has an option to increase its shareholding in MGR by up to 20% based on the results of the feasibility study on the TT CBM Project (**FS**) by acquisition of shares from JMM (**EM Option**). The EM option may be exercised within six months once the relevant decision is made following completion of the FS. If EM decides to exercise the EM Option, it must commit to pay an agreed amount based on the equivalent of the additional shares acquired as a percentage of the net present value with a discount rate at 10% calculation of the FS. The agreed amount shall not exceed 60% of the equivalent additional shares acquired percentage calculation of the FS. If the EM Option is exercised, EM will hold up to 60% and JMM will hold not less than 40% of MGR.
- JMM has an option to increase its shareholding in MGR by up to 20% based on the results of the FS, if EM is not able to finance the phase two of the TT CBM Project on a proportionate basis (**JMM Option**). The JMM Option may only be exercised within six months once EM notifies JMM that it is not able to finalise the phase two of the TT CBM Project on a proportionate basis. MGR shall issue preferred shares equal to the number of common shares owned by EM. EM shall become a preferred shareholder with not less than a 20% shareholding in MGR in a way of entering into a share swap agreement with MGR.

EM shall continue to have a free carried interest in MGR until completion of phase two of the TT CBM Project.

Jade is the Operator of the TT CBM Project

Under the Agreements:

- JMM is appointed as Manager of MGR, and therefore as the Operator of the TT CBM Project; and
- MGR is nominated as the entity to be awarded a Production Sharing Agreement over the Licence area.

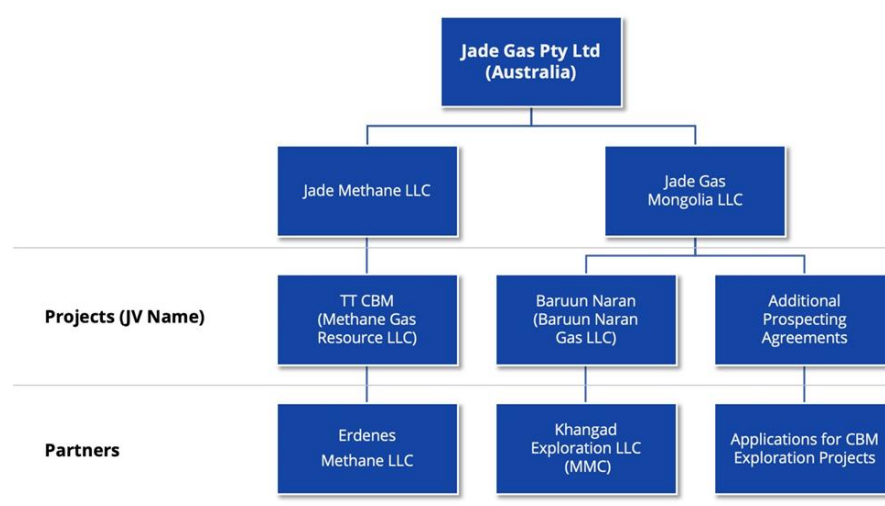
Jade's joint venture partner, EM, was awarded a Production Sharing Agreement over the Licence area in April 2020, after EM, through its subsidiary MGR, successfully completed the requirements of a Prospecting Agreement it held at that time over the Licence area with Mineral Resource and Petroleum Authority of Mongolia (**MRPAM**). In accordance with the Agreements, Jade managed, fully funded and operated the fulfillment of these requirements during 2019. Following approval of the Cabinet of Mongolia on 14 October 2020, the PSA was transferred from EM to the joint venture company MGR. On or around 11 December 2020, MRPAM, EM and MGR entered into the Tripartite Agreement transferring all of EM's rights and obligations under the PSA to MGR. On 15 March 2021, the Ministry of Mining and Heavy Industry in Mongolia granted the exploration licence for conducting exploration of CBM to MGR.

Further details of the history and tenure in respect of the Project is contained in the Solicitor's Report prepared by Minter Ellison LLP and ME MGL Advocates LLP set out in Annexure E.

Jade holds a 66% interest in Baruun Naran Gas LLC

Jade, through its subsidiary Jade Gas Mongolia FILLC holds a 66% interest in Baruun Naran Gas LLC (**BNG**), the joint venture operating company formed to explore, develop and produce gas from within a coal mining licence held by joint venture partner Khangad Exploration LLC, a wholly owned subsidiary of Mongolian Mining Corporation, a company listed on the Hong Kong Stock Exchange. Khangad Exploration LLC holds the remaining 34% equity in BNG. Jade is nominated as the joint venture Operator of BNG.

Diagram 8.2B: Jade Project Structure



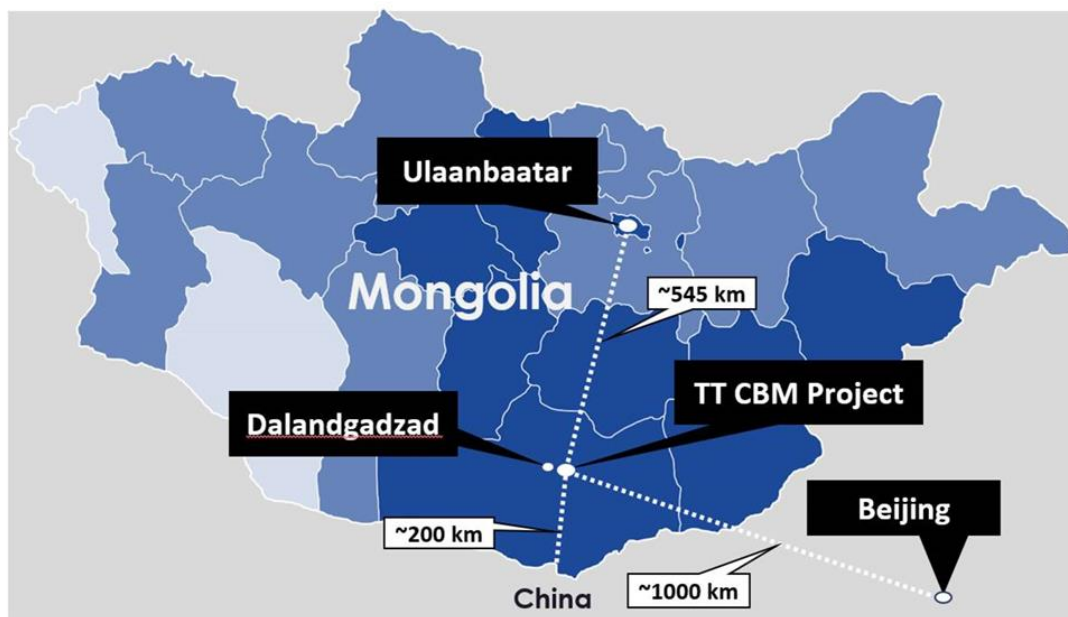
TT CBM Project

The TT CBM Project involves the exploration and development of the coal bed methane resources of the Tavan Tolgoi coal field in the South Gobi region of Mongolia. The field is located in the Omnigovi Province in southern Mongolia, approximately 550 km from the capital city of Ulaanbaatar and 85km to the east of provincial capital, Dalanzadgad.

Diagram 8.2C: Mongolia location map



Diagram 8.2D: Map showing the location of the TT CBM Project



Tavan Tolgoi Coal Field

The Tavan Tolgoi coal field is regarded as one of the largest global coal fields, with 7.38 billion tonnes of measured, inferred and indicated coal reserves and resources, of which up to 1.9 billion tonnes is high quality coking coal.

The Tavan Tolgoi Coalfield covers an area of approximately 220 km² in the Ulaan Nuur Valley of the Gobi Desert of south-central Mongolia. Six separate sub coalfields form Tavan Tolgoi: Tsankhi, Southwest, Borteeg, Ukhaakhudag, Eastern and Bortolgoi.

The coals contained within the Tavan Tolgoi field are Permian age, with similarities to the productive coal measures contained in the Bowen and Surat Basins in Queensland, from which the majority of Australia's coal bed methane is produced.

Erdenes Tavan Tolgoi JSC is currently operating the Tavan Tolgoi coal mine. Geographically, it lies 98 km to the east of Dalanzadgad, the capital of South Gobi Province, and 15 km southwest of Tsogtsetsii

town. It is situated at an altitude of 1500m to 1830m above sea level at a longitude of 1050251-1050321 and latitude of 430351-430391.

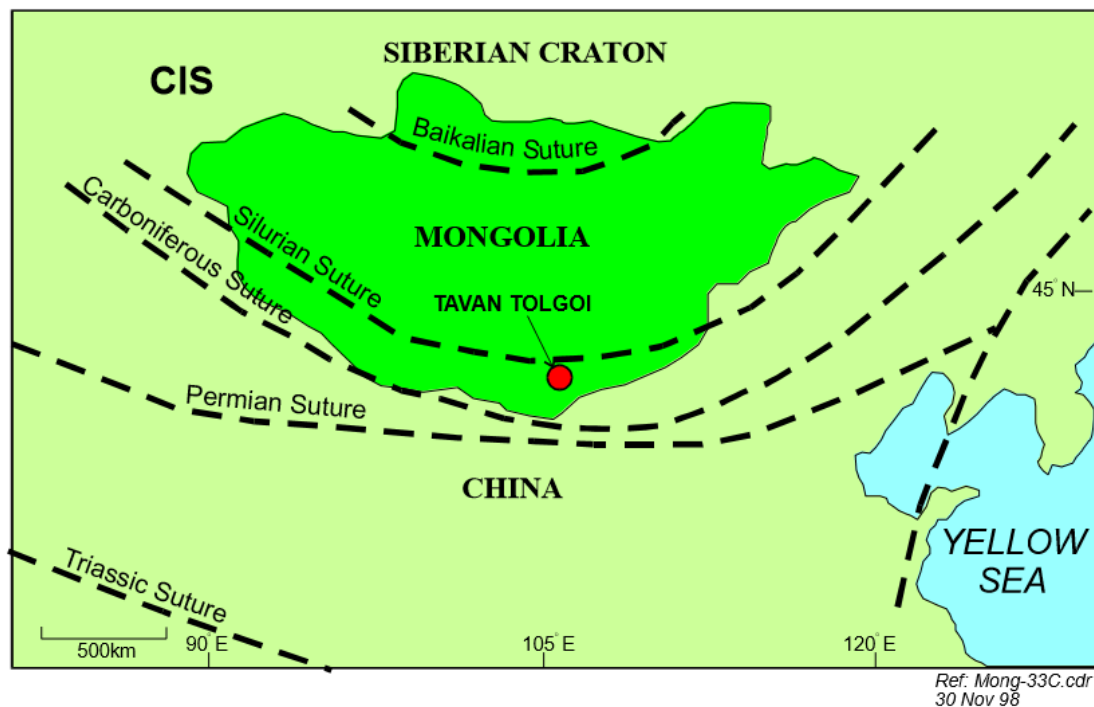
The coal deposit is located in a hilly region of the Gobi at a surface elevation of 1515-1560 m, with a 5-20 m oscillation. The region is characterized as a harsh environment with 154 mm in precipitation, most of which occurs in the summer and fully evaporates. Wind direction is from the west or northwest, and, in the fall and winter, there is reduced wind.

Geology

Regional Structural Geology

Mongolia and Northern China were formed by a series of accretionary terrains that range in age from Proterozoic to Late Palaeozoic as shown in Diagram 8.2E.

Diagram 8.2E: Regional Tectonic Setting



Each successive accretionary belt was added from the south and wrapped around the Siberian Craton to the north, forming a series of concave north-wrapping arcs separated by ophiolitic suture zones. Two suture zones are present in Mongolia, the Baikalian Lineament in the north, which represents late Proterozoic accretion and the Main Mongolian Lineament in the south, which represents Silurian accretion. In southern Mongolia, the oldest rocks are of late Precambrian to middle Palaeozoic age and were deposited as shallow marine carbonate and clastic facies, on passive continental margins. Mid-Palaeozoic orogenesis is associated with the collision of the Altai microplate in western Mongolia and the accretion of the central Mongolian microplate onto the Siberian Craton. Renewed sedimentation in the Altai foreland and also perhaps in marginal rift or back arc basins is represented by Devonian and Carboniferous continental and marine clastic and volcanic formations.

A Late Carboniferous to Early Permian orogenic phase marks accretion of the Gobi microplate onto the enlarged Mongolian-Siberian Craton, giving rise to a third suture which more or less coincides with the location of the present day Mongolian-Chinese border.

Late Permian to Early Jurassic sediments in southern Mongolia comprise a very thick sequence of coarse continental clastic formations overlain by locally occurring finer clastic, coal, and lacustrine sequences possibly deposited in foreland basins. These sediments were subsequently deformed during the Triassic to Middle Jurassic, when the Qiantang block (in China), collided with the growing Mongolian-Siberian Craton.

Later periods of continental rifting occurred resulted in thick sequences of fluvial conglomerate and sandstone, floodplain coal, and lacustrine shale to be deposited in the rift basins through the Late Jurassic and Early Cretaceous. The southern Mongolia area was affected by significant tectonism and volcanic activity throughout the Late Cretaceous and Tertiary periods.

Local Structural Geology

The coal seams of the Tavan Tolgoi district accumulated in the Ulaan Nuur Trough, an intra-cratonic basin. The basin, generally regarded as a broad synclinorium, is the result of crustal subsidence of the basement rock adjacent to a large scale east to northeast trending fault system (mega-shear) that bounds the district to the north. Upper Permian coals accumulated in the subsiding basin and were subsequently faulted and folded from a moderate to intense degree by post-depositional tectonic events.

The Tavan Tolgoi coalfield is comprised of a series of east-west trending synclines and anticlines which are overprinted by a north-south trending anticline. While much of the Tavan Tolgoi is gently to moderately inclined, dips in the flanks of these structures can exceed 40°. Numerous east-west trending normal faults bisect the coalfield. Significant east-west trending thrust faults form the coalfield boundaries throughout much of Tavan Tolgoi, bringing underlying, older volcanics and non-coal-bearing formations to the surface and truncating the coal resource areas.

Diagram 8.2F: Structural Geology Map

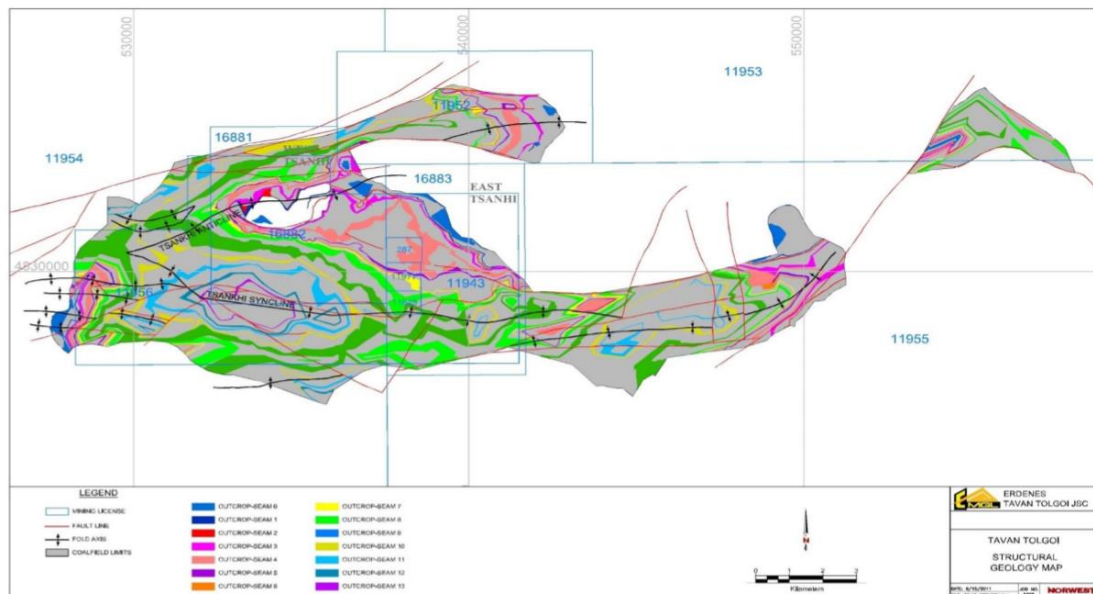
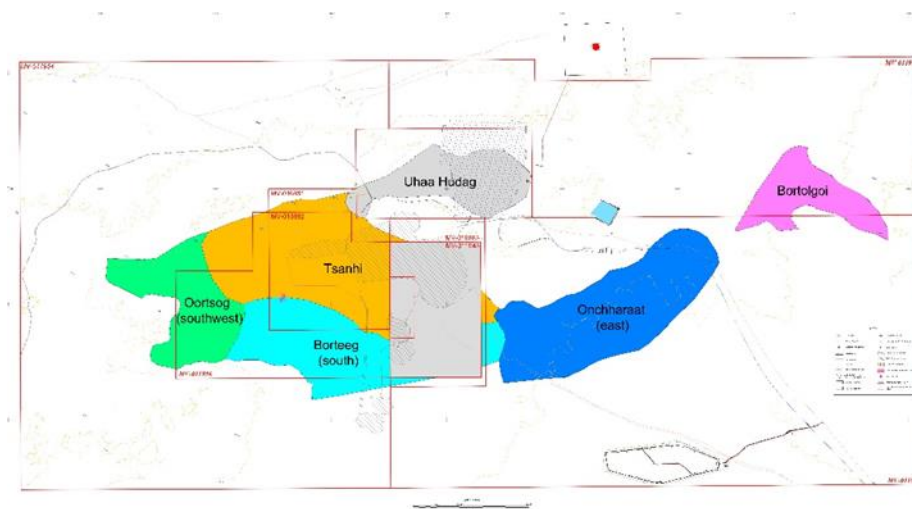


Diagram 8.2F shows the structural features of the Tavan Tolgoi coalfield. The areas of the coal-bearing formations are shaded. Two major fold structures are evident in the western half of the deposit, the Tsankhi Syncline and Tsankhi Anticline. The syncline hosts the structural basin containing the thickest coal-bearing sequence, while the anticline brings the lowest coal horizons to the surface.

TT CBM Project: Licence Area

Diagram 8.2G: The licence outlines over the Tavan Tolgoi coal field and surrounding areas



The licences and approximate area covered by the Production Sharing Agreement are set out in the table below.

Licence Number	Area (km2)
MV- 016881	6
MV- 016882	24
MV- 016883	7
MV- 011953	129
MV- 011954	229
MV- 011955	238
MV- 011956	32
Total:	665

Whilst there is extensive knowledge on the shallower sections of the coal deposit itself there is limited data regarding the deeper coal formations and coal gas properties.

Data has previously indicated the presence of CBM in the Tavan Tolgoi coal field (including a series of pilot CBM wells drilled by KOGAS (Korean Gas Corporation) in 2014), however no definitive assessment has been undertaken to date regarding gas content, permeability or other factors that may be important to the ability to define a CBM resource beyond the Prospective level as defined by PRMS.

To quantify the potential CBM resource at the Tavan Tolgoi field, a detailed exploration effort of international standard is required. It is the intention of Jade to undertake such exploration effort and this commenced during 2H 2019 with work undertaken by 60% subsidiary MGR (subject to the EM Option and JMM Option) as part of the requirements defined by the Prospecting Agreement held by Jade joint venture partner Erdenes Methane LLC.

In order to successfully explore in the vicinity of the operating coal mine, EM has a Co-operation Agreement in-place with Erdenes Tavan Tolgoi JSC (ETT, a subsidiary of Erdenes Mongol LLC, the parent entity of EM LLC) which majority owns and operates the Tavan Tolgoi coal mine (**ETT Co-operation Agreement**). The purpose of the ETT Co-operation Agreement is to allow for co-ordination of surface activities between MGR and ETT so that MGR can effectively explore for CBM within the licence area.

Limited engineering facilities owned by a third party are located within the Licence Area.

Recent Activity on the TT CBM Project by Jade

Under the Agreements between Jade and EM, Jade is responsible for funding 100% of the activities pertaining to exploration of CBM on the Licence Area until a detailed feasibility study has been completed on the Project.

The initial phase of work under the Agreements was to satisfy the requirements defined under a Prospecting Agreement held by EM. This work program was undertaken by Jade during 2H 2019. The work program was considered to be of quite broad definition. The key results of the work program were to confirm the presence and depths of coal formations within a 20 km² area of the Tavan Tolgoi field, known as the Borteeg area. It included the drilling of eight core holes (over 5000m in total) to confirm location and characteristics of various coal seams. Approximately 95% of the core was recovered and was analysed under the company's field training program.

As part of its commitment to the development of the local Mongolian workforce capability, Jade (via MGR) conducted an extended field training workshop whilst undertaking the initial drilling phase of the work program. Under this program, up to 16 local Mongolian Nationals were able to work alongside the Jade management team and specialist contractors to improve skills and understanding in the areas of coal core retrieval, sampling, and testing.

In 2019 High Grade Metals Limited, in undertaking a due diligence process on the Transaction, engaged leading international oil and gas advisory firm, RISC to produce an Independent Technical Specialist's Report (ITSR) on the coal bed methane exploration projects of Jade Gas Pty Ltd.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. The company has approximately 40 highly experienced professional staff at offices in Perth

and Brisbane, Jakarta and London, with services covering the entire range of the oil and gas business lifecycle.

In the ITSr, RISC estimated ultimate recovery for the Jade coal bed methane exploration assets which are summarised below:

Table 8.2H: Prospective Resource Range (Gross) estimated by RISC

Prospective Resource Range (Gross)	Unit	Low	Best	High
Tavan Tolgoi (TT CBM Project)	Bcf	216	1,044	3,062

Following presentation and discussion of the data retrieved through the 2019 work program, MRPAM concluded that the requirements under the Prospecting Agreement had been satisfied, and that, in accordance with Article 17 of the Laws of Petroleum of Mongolia, the joint venture was able commence the application process for the Production Sharing Agreement (PSA) over the Licence area.

A PSA is a contractual instrument often used in the oil and gas industry whereby the investor company (in this case, MGR) effectively becomes a contractor to the Government (the owner of the resource) and operates the project on the Government's behalf. As a project matures, the contractor is entitled to periodically recover a portion of costs incurred through revenue generated from the project. Remaining revenue is split between the Government and the Contractor in varying proportions relating to production rates.

The PSA was awarded to joint venture partner EM on 22 April 2020, and shortly thereafter the process to transfer the PSA to joint operating company and 60% owned (at completion of the Transaction as set out above) Jade subsidiary Methane Gas Resource LLC was initiated. On 14 October 2020, the transfer of the PSA from EM to MGR was completed. Jade, as operator of MGR, intend to move rapidly into an advanced exploration phase to provide further data on the coal seams likely to be targeted for future gas exploitation. On or around 11 December 2020, MRPAM, EM and MGR entered into the Tripartite Agreement transferring all of EM's rights and obligations under the PSA to MGR. On 15 March 2021, the Ministry of Mining and Heavy Industry in Mongolia granted the exploration licence for conducting exploration of CBM to MGR.

Further details of the history and tenure in respect of the Project is contained in the Solicitor's Report prepared by Minter Ellison LLP and ME MGL Advocates LLP set out in Annexure E.

Strategy for TT CBM Project

Through its advanced exploration work at the TT CBM Project, Jade intends to firstly improve understanding of the resource size of the TT CBM Project. To achieve this, Jade will continue with further technical studies and field activities which are likely to involve the drilling of wells, and the sampling and testing of various coal measures contained within the Licence Area.

As more data is gathered and analysed from the TT CBM Project, it is the intention of Jade to seek further classification of the resource into the Reserve category in accordance with PRMS 2018 Reserves Classification Guidelines. To achieve this, Jade intend to establish a multiple well production pilot to confirm production rates at commercial level. Planning for the production pilot will commence during 2021 after additional data has been analysed from the 2020/21 work program.

Achievement of an appropriately sized reserve may permit Jade to progress the TT CBM Project through to a FEED process (Front End Engineering and Design). FEED defines more detail on the technical requirements and improves understanding of project costs. FEED can be divided into separate packages covering different portions of a project, and will cover activities such as: drilling and completion designs, optimisation of well spacing and water management options, design of the gathering systems, dehydration and compression facilities, and pipeline design.

Subsequent to the FEED process Jade will look to progress to a Financial Investment Decision point, whereby a completed field development plan may be able to attract sufficient funding (whether through debt or equity) which will enable the TT CBM Project to begin to be developed.

It is the intention of Jade to commercialise gas from the TT CBM Project through one or more commercial channels. Such commercial channels will be assessed through the later stages of the

exploration phase so as to provide evidence of suitable demand sources which will allow for production of coal bed methane from the TT CBM Project to be achieved economically.

Once the FEED process is completed, under the Agreements, a detailed feasibility study is to be undertaken on the TT CBM Project by MGR. At completion of the detailed feasibility study, each of JMM and EM will be responsible for future funding based on equity participation (60% JMM and 40% EM, subject to the EM Option and the JMM Option) and the parties have reciprocal options regarding increasing or decreasing equity in MGR, subject to certain terms and conditions.

If it is determined in the feasibility study that an economic project can be developed, it is likely that production of coal bed methane would commence on a staged basis, initially at a low volume of production but increasing over time as additional development work is undertaken. The development work will be based on the FEED study and may include the drilling of production wells, installation of gas gathering network, and the establishment of compression and processing facilities.

Joint venture with MMC

In addition to the TT CBM Project, Jade has entered into a joint venture with Mongolia Mining Corporation (**MMC**), a public company listed on the Hong Kong Stock Exchange (HKSE:0975) since 2010.

Jade, through its subsidiary Jade Gas Mongolia FILLC holds a 66% interest in Baruun Naran Gas LLC (**BNG**), the joint venture operating company formed to explore, develop and produce coal bed methane from within a coal mining licence (MV-014493) held by joint venture partner Khangad Exploration LLC, a wholly owned subsidiary of MMC. Khangad Exploration LLC holds the remaining 34% equity in BNG. Jade has entered a Shareholders Agreement and an Investment Agreement with Khangad Exploration (**MMC Agreements**). Under the **MMC Agreements**, Jade is nominated as the Operator of BNG and must sole fund the project to the completion of a definitive feasibility study. Subject to the outcome of definitive feasibility study, the joint venture parties shall mutually agree involvement in further development of the project, including funding obligations of each party.

Further detail on the MMC Agreements is set out below.

MMC is a high-quality coking coal producer and exporter in Mongolia. The Company owns and operates two open-pit coking coal mines, namely the Ukhaa Khudag (UHG) deposit located within the Tavan Tolgoi coal formation and the Baruun Naran (BN) deposit, both located in South Gobi province of Mongolia. According to MMC, it is the only fully integrated washed coking coal exporter in Mongolia, comprising of mining, processing, transportation, and sales and marketing platform.

Diagram 8.2I: Map showing the location of the MMC Mining Licence

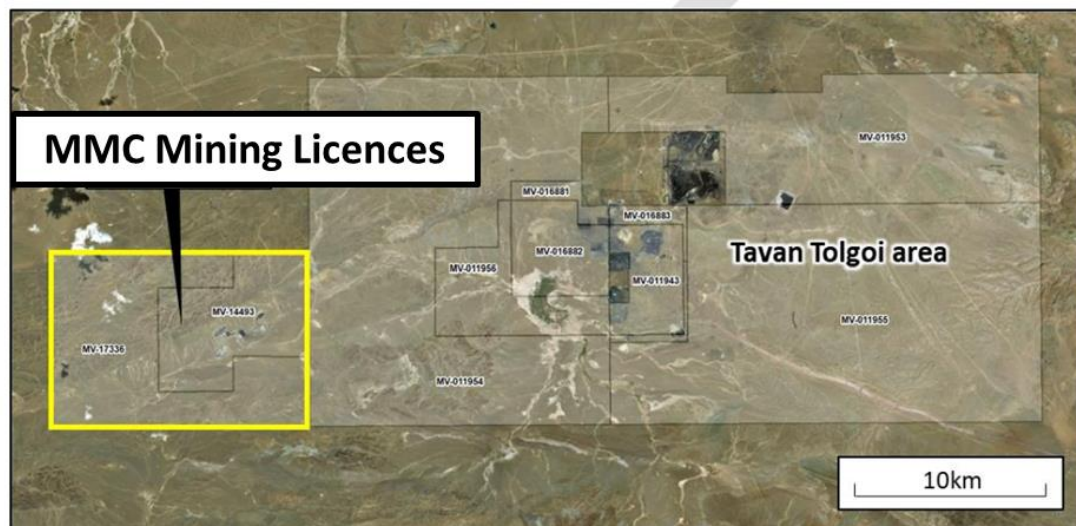


Table 8.2J: MMC Mining Licence subject of the MMC Agreements

Licence Number	Area (km2)
MV- 014493	45

A significant amount of borehole and seismic data has been acquired over the MMC Mining Licence area by MMC in 2011, which provides excellent surface control of known coal seams. Whilst permeability and gas adsorption isotherm data is not yet available, in 2019 independent oil and gas consultant RISC estimated a Prospective Resource over the area.

Table 8.2K: Prospective Resource Range (Gross) estimated by RISC

Prospective Resource Range (Gross)	Unit	Low	Best	High
MMC Project	Bcf	13	65	186

Strategy for BNG

In accordance with the MMC Agreements, MMC and Jade will seek to initially acquire a Prospecting Agreement(s) in respect of the MMC Mining Licence for the exploration and exploitation for CBM potential therein. The initial phase of a Prospecting Agreement would likely require detailed review and further analysis of data regarding the coal deposit at BN, which would likely lead to the drilling of core holes and testing of samples.

Whilst exploration is at an early stage, the management of Jade believe that the prospectivity for a CBM resource at this location warrants an initial low-cost exploration program.

Market Opportunity for Jade

Following the Transaction, Jade is planning to undertake exploratory work on the TT CBM Project and the MMC Project which may lead to the eventual commercialisation of either or both projects through sales of coal bed methane (produced from the Tavan Tolgoi coal field), primarily into domestic sales channels, and potentially through export channels into the north of China.

As there is presently insufficient indigenous production of oil or gas within Mongolia, nor suitable refinery capacity, Mongolia meets its oil and gas requirements through importation of gas and other oil and gas products from neighbouring countries. Furthermore, the switching from coal to natural gas to supply Mongolia's growing energy requirements is expected to contribute to improvements in air quality with anticipated positive effects on the health and wellbeing of the people of Mongolia.

It is the intention of Jade that if the TT CBM Project and/or the MMC Joint Venture is shown capable to produce coal bed methane economically, that Jade will establish gas sales agreements with customers within the country who are currently meeting their requirements through imports of gas and other petroleum products. Furthermore, Jade intend to expand the market for natural gas into other areas of the economy not currently using gas, by providing a reliable and long-term supply source.

Such sales opportunities may include, but are not limited to:

- Compressed natural gas (CNG) for delivery via truck to local towns for small scale commercial use;
- CNG or LNG to be delivered via truck into the capital city of Ulaanbaatar to be used in the transport sector as fuel for heavy vehicle and other transport vehicles;
- Sales of coal bed methane to regional mining projects via newly established pipeline(s) to be used as fuel for heavy mining fleet and/or gas fired power generation to meet the needs of the mining operation(s);
- Sales of coal bed methane into the capital city of Ulaanbaatar, via the establishment of a 540km pipeline. This gas could be used as fuel supply for heavy vehicle and other transport fleet as well as for fuel for natural gas fired power station(s). This would require the establishment of gas fired power generation in the city or conversion of the existing power generation capacity from coal fuelled to natural gas fuelled; and
- Sales of coalbed methane via a yet to be constructed pipeline into the north of China, linking with the existing and extensive transmission network in the region.

Jade highlight that the investigation into and/or development of these potential commercial sale opportunities is at an early stage, and that there is no certainty that any/all of these channels will provide viable commercial options for the TT CBM Project.

The Company is unlikely to generate revenue in the short to medium term while it focuses on the exploration and evaluation of the Project for the purposes of determining the feasibility of a future profitable operation. The Company is unable to determine at this time whether production will commence on the TT CBM Project or any other project in the short to medium term, if at all. Furthermore, whilst Jade believes the Project represents a prospective opportunity to deliver value for its shareholders, due to the inherent speculative nature of exploration generally, there can be no guarantee that one or more of the projects will generate revenue for the Jade at any time in the future.

Jade Prospective Resource

As reported by RISC in the Independent Technical Specialist's Report (ITSR) on the coal seam gas exploration projects of Jade Gas Pty Ltd, Jade has reported a Prospective Resource Range (Gross) in accordance with PRMS over two projects.

Table 8.2L: Total Prospective Resource Range (Gross) estimated by RISC

Prospective Resource Range (Gross)	Unit	Low	Best	High
Tavan Tolgoi (TT CBM Project)	Bcf	216	1,044	3,062
MMC Project	Bcf	13	65	186
Total	Bcf	229	1,109	3,248

Business Development

Jade will continue to assess the prospectivity of Mongolia for additional CBM resource opportunities. Should viable opportunities arise Jade may pursue additional joint ventures or acquisitions that may help to establish Jade as the leading CBM operator within the country.

8.3 Statement of intentions – Key Jade Vendors

The Key Jade Vendors have provided a statement of intentions regarding the future of the Company if the Acquisition Resolutions are approved. The Key Jade Vendors and their associates will collectively hold between a maximum of 40% of the voting shares of the Company on completion of the Transaction and up to 40.8% of the Company if only the Consideration Options they hold are exercised. The statement of intentions is set out in full in Annexure B.

In summary, the statement of intentions provides that the Jade Vendors collectively:

- **(Business of the Company)** other than as will result from completion of the Transaction and the Jade business becoming the main undertaking of the Company, the Jade Vendors have no present intention of making any significant changes to the business of the Company;
- **(Capital of the Company)** have no present intention to inject further capital into the Company;
- **(Present employees)** have no present intention of making any changes regarding the future employment of the employees of the Company (except as will result from the Transaction);
- **(Transfer of assets)** have no present intention regarding any proposal whereby any assets will be transferred between the Company and the Jade Vendors or any person associated with either of them (except as will result from the Transaction);
- **(Deployment of assets)** have no present intention to otherwise redeploy the fixed assets of the Company (except as necessary to implement the Transaction and the strategic direction of the Company following successful completion of the Transaction);
- **(Financial or dividend policies)** have no present intention to significantly change the Company's existing policies in relation to financial matters or dividends; and
- **(Updates and strategic review):** the Jade Vendors (and/or their nominee(s) and authorised representatives) may, in conjunction with the Company's Board, conduct a strategic review of the performance, prospects, assets and business of the Company to identify any areas they may

be able to add value. The Jade Vendors may also work with the Company to ensure the policies of the Company are up to date and comply with relevant standards.

The Jade Vendors intend to support the election and re-election of Joseph Patrick Burke and Daniel William Eddington to the Board of the Company.

The Jade Vendors may, jointly and/or severally at some future time, acquire further shares in the Company in a manner consistent with the Corporations Act, the ASX Listing Rules and other applicable laws. The Jade Vendors have not yet decided whether they may, either jointly or severally, seek to acquire further shares in the Company.

The statement of intentions of the Jade Vendors summarised above and included in full in Annexure B is based on information known to the Jade Vendors at the date of the Notice. It includes statements of the current intention of the Jade Vendors only and may vary as new information becomes available or circumstances change.

The statement of intentions was prepared by the Jade Vendors and provided to the Company for inclusion in this Memorandum.

9. Pro-forma statement of financial position

The pro-forma statement of financial position of the Company following completion of the Transaction is set out in Annexure C.

10. Risks associated with the Jade business

The business, assets and operations of the Company, following completion of the Transaction, are subject to certain commercial, operational and financial risk factors that, alone or in combination with other factors, have the potential to influence the operating and financial performance of the Company in the future. In addition, there are other general investment risks, many of which are largely beyond the control of the Company and are difficult to predict or anticipate.

The Board aims to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, as noted above, some of the risks identified below are highly unpredictable and the Company may be limited to the extent to which it can effectively manage them.

The following risk factors are not intended to be an exhaustive list of the risk factors to which the Company is exposed or will, following completion of the Transaction and relisting, be exposed.

8.1 Company Specific Risks

Sovereign and Political Risks Associated with Operating in Mongolia

Mongolia is a young democratic country which is transitioning to a market economy and is therefore subject to risks and uncertainty. There is a risk that laws in place in Mongolia may be applied by the judiciary and regulators in Mongolia in a way that is detrimental to the Company and its proposed operations. There can be no assurance that joint ventures, licences (or licence applications), permits (or permit applications) or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of the enforcement of such arrangements cannot be guaranteed. There is also a risk that the laws and regulations in place in Mongolia may change in future in a way that is detrimental to the Company and/or the Projects.

Exploration Success and Operating and Development Risks

Exploration activities for gas such as those proposed to be undertaken by the Company are inherently risky, with a high chance of failure. There can be no guarantee that the Company will identify any resource capable of producing hydrocarbons at commercial rates, if at all.

The future exploration activities of the Company may be affected by a range of factors including limitations on activities due to geological conditions, technical difficulties, changes in cost structures in the industry, geopolitical factors, seasonal weather patterns, delays in timing of operations, industrial

accidents, environmental difficulties, changing regulatory conditions, and many other factors beyond the control of the Board or the Company.

The costs associated with exploration and development of coal bed methane projects are based on assumptions relating to the methods and timing of exploration. By their nature, these assumptions are subject to significant uncertainties and the actual costs may differ materially from these assumptions. No assurance can be given that any cost estimates or other assumptions regarding costs will reflect actual costs.

If the exploration of the Project is unsuccessful the value of the Project will diminish.

Permit application and permit renewal

The Company cannot guarantee that itself or its joint venture partner or partners will be able to maintain all required rights to permits or licences needed for Jade to undertake exploration activities.

The right(s) held by Jade, its subsidiaries and/or joint venture partners will be subject to various initial and ongoing conditions that must be satisfied for the rights to remain in place. These conditions are likely to include, but not be limited to, the requirement to pay certain fees and to meet certain filing and expenditure requirements. It is also likely that the rights forming the Projects will be subject to periodic renewal.

The Company cannot guarantee the terms of the conditions that will be imposed for grant and/or renewal of these rights, including that such conditions will not become too onerous for the Company to continue to meet them. There can also be no guarantee that any right or rights will be renewed on particular terms, or at all.

Hydrocarbon Reserve Estimates

Hydrocarbon reserve estimates are expressions of judgment based on knowledge, experience, interpretation and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Company encounter gas deposits, accumulations or geological formations different from those predicted by previous exploration activities, including past drilling, sampling and other examinations, reserve estimates may be revised and adjusted, and consequently development and production plans may have to be adjusted which could adversely affect the Company's existing or planned operations. Where possible, the Company will seek to have any such estimates verified or produced by an independent party with sufficient expertise in their chosen field.

Joint Venture risk

The primary activities of the Company will be undertaken pursuant to joint venture arrangements with third party entities, including those entities formed to represent the interests of the Mongolian Government such as Erdenes Methane LLC. Accordingly, the activities of the Company will be subject to risks generally associated with joint venture arrangements, including the risk that the other party(s) may fail to perform their obligations under any joint venture arrangement(s), or may seek to terminate or withdraw from the joint venture arrangement(s). There is also a risk that the Company may not be able to enter future joint venture arrangement(s) on commercially viable terms, if at all.

The joint venture arrangements typical in the gas industry often include provisions that require certain decisions relating to the activities of the joint venture to be passed with unanimous or majority approval of all participants. Where a joint venture partner does not act in the best commercial interest of the joint venture, it could have a material adverse effect on the interests of the Company.

The Company is unable to predict the risk of:

- financial failure, non-compliance with obligations or default by a participant in any venture to which the Company is, or may become, a party; or

- insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or
- insolvency or other managerial failure by any of the other service providers used by the Company for any activity,

all of which could have a material adverse effect on the operations and financial performance of the Company.

Risk associated with Drilling

Gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's drilling operations may be curtailed, delayed or cancelled due to a number of factors including weather conditions, mechanical difficulties, unforeseen sub-surface hazards (such as unexpected pressures), shortage or delays in the availability or delivery of rigs and/or other equipment, availability of suitable drilling rigs, and compliance with governmental requirements.

Completion of a well does not assure a profit on the investment or recovery of drilling, completion, and operating costs. While drilling may yield some hydrocarbons there can be no guarantee that a gas discovery or accumulation will be sufficiently productive to justify commercial development.

Insurance

Exploration, development and production operations on oil and gas properties involve a number of risks and hazards which are beyond the control of the Company, including unexpected or unusual geological conditions, environmental hazards, technical and equipment failures, extended interruptions due to inclement or hazardous weather or other physical conditions, unavailability of drilling equipment, unexpected shortages of key personnel, labour, consumables or parts and equipment, fire, explosions and other incidents. It is not always possible to insure against all such risks or the Company may decide not to insure against certain risks because of high premiums or other reasons. Although the Company will have insurance in place at levels considered appropriate for its operations and in accordance with industry practice, in certain circumstances the Company's insurance may not cover, or be adequate to cover, the consequence of such events which could reduce or eliminate any future profitability, result in increasing costs and have a negative impact on the value of the Company.

Substitution of Gas

There are a number of alternative energy sources from oil and gas products, including other non-renewable sources such as coal and oil, and those referred to as renewable energy sources such as wind, solar or hydroelectric, geothermal and biomass, amongst others. If the costs and commercial prices of such alternative energy sources fall or there is a significant shift in consumer sentiment towards such sources, this may have a significant effect upon the Company's overall performance.

Third Party Risk

The Company has entered contractual arrangements with various third parties, including in respect of the joint venture interests forming the Projects. There is a risk that these counterparties may fail to perform their obligations which could lead to delays, increased costs, disputes and even litigation. All these factors could negatively impact the proposed operations of the Company and there can be no assurance that the Company would be successful in seeking remedies or enforcement of its rights through legal actions.

The Company will also likely be required to enter further contractual arrangements with third parties in future which will be subject to similar risks. There is also a risk that such contractual arrangements will be able to be entered on reasonable commercial terms, if at all.

Environmental

The rights held by Jade, its subsidiaries and joint venture partner(s) will be subject to certain Mongolian laws and regulations concerning the environment. It is the Company's intention to conduct its activities to a high standard of environmental obligations, however there is a risk that Mongolian laws and regulations will impose onerous obligations that the Company will not be able to effectively meet, whether due to excessive costs of regulatory compliance or otherwise.

In addition, the occurrence of any safety or environmental incident on one or more of the Projects could materially delay or increase the costs of operations or result in a substantial liability being accrued against the Company.

Commodity price volatility and exchange rate

It is expected that future revenues of the Company, other than sales of assets, will be derived from the sale of coal bed methane. The demand for, and price of coal bed methane is dependent on a variety of factors beyond the control of the Company, including supply levels of the product, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

The market price of hydrocarbon products is volatile and outside the control of the Company. Oil and gas prices have fluctuated widely in recent years. If the price of hydrocarbons should drop significantly and remain depressed, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if significant quantities of hydrocarbon products are discovered, a profitable market may exist for their sale.

The marketability of hydrocarbons is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted. Restrictions on the Company's ability to market production from projects that the Company has an interest in may have a material adverse effect on the Company's overall financial performance.

Furthermore, the sales prices and contracts of various commodities including coal bed methane are likely to be denominated in United States dollars. This will have the effect of exposing the Company through its source of revenue generation to fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar.

Reliance on Key Personnel

The success of the Company may depend on its ability to attract and retain key personnel. There is a risk that the Company may not be able to hire or retain such key personnel for different reasons, including matters of compensation. The success of the Company may also be dependent on the contributions from its management team and key technical personnel, the loss of whose services may be difficult to replace.

The list of risk factors set out in this section are not to be taken as an exhaustive list of risk factors that the Company or investors in the Company may face. These factors, and others not specifically referred to in this section, may, in the future, have a material effect on the operational and financial performance of the Company and the value of the Company's Securities.

COVID-19

The outbreak of COVID-19 is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains uncertain. The Company's share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 in the jurisdictions in which the Company operates or intends to operate (including restrictions on freedom of movement) may adversely impact the operations of the Company and are likely to be beyond the control of the Company.

Climate Change Risk

Climate-related issues may impact areas of the business. The Government of Mongolia is a member of various global climate focussed initiatives, including the United Nations Framework Convention on Climate Change, the Kyoto protocol and the Paris Agreement on Climate Change, and has committed to various targets on carbon reduction and pollution control measures. The business strategy of Jade is to produce coal bed methane, a non-renewable natural resource, which when utilised in the energy value chain may contribute to emission of carbon into the atmosphere, albeit at a lesser rate than contributed from the utilisation of coal, the dominant energy source in the country. If the Government of Mongolia makes additional commitments to future carbon reduction targets, this may impede the ability of Jade to commercialise coal bed methane although such changes would also impact upon other non-renewable energy sectors (such as coal).

8.2 General Investment Risks

Completion Risk

Pursuant to the definitive documentation, the Company will agree to acquire 100% of the issued capital of Jade, completion of which is subject to the fulfilment of certain conditions. There is a risk that some or all of the conditions for completion are not met or waived, in which case completion of the Acquisition may not occur.

Re-quotation of Shares on the ASX

The Acquisition of Jade constitutes a significant change in the nature and scale of the Company's activities and the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking an admission to the Official List of ASX.

Trading in the Company's shares is currently suspended and will remain suspended until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules following completion of the Acquisition. The Acquisition is conditional on the Company obtaining all necessary regulatory and Shareholder approvals to effect the Acquisition and satisfying all other requirements of ASX for the reinstatement to Official Quotation of the Company's shares on the ASX.

There is a risk that the Company may not meet the requirements of the ASX for re-quotation of its securities on the ASX. If this occurs, the Securities will not be able to be traded on the ASX until such time as those requirements are met. Shareholders may be prevented from trading Shares until such time that the Company re-complies with the ASX Listing Rules.

Dilution Risk

The Company currently has 566,172,490 shares on issue, post consolidation. Under the Transaction and the Transaction Capital Raising, the Company intends to issue:

- Consideration Shares and Consideration Options; and
- Capital Raising Shares

After the Consolidation and the issue of the Securities listed above, and assuming that no options are exercised:

- The participants in the Transaction Capital Raising will hold approximately 17.55% of the Company's issued share capital;
- The existing Shareholders of the Company will hold approximately 9.94% of the Company's issued share capital; and
- The Jade Vendors will collectively hold approximately 72.51% of the Company's issued share capital.

Additional capital requirements

The ability of the Company to effectively implement its proposed exploration and development plans in the future may depend in part on its ability to raise additional funds. While the Company is proposing to raise funds to meet its short to medium term plans, there is a risk that the Company will require additional funding to further progress its operations.

The Company's activities following completion of the Transaction are also likely to be subject to general risks such as currency fluctuations, market conditions and taxation.

Government License and Approvals

Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and site safety.

Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

Risks of Litigation, Claims and Disputes

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of claims by joint venture partners, personal injury and property damage claims, environmental and indemnity claims, employee claims and other litigation and disputes. There is a risk that such litigation, claims and disputes could materially and adversely affect the Company's operating and financial performance due to the cost of defending and/or settling such claims, and could affect the Company's reputation.

General Economic and Political Risks

Changes may occur in the general economic and political climate in the jurisdictions in which the Company or Jade operates which could have an impact on economic growth, oil and gas prices, interest rates, the rate of inflation, taxation, tariff laws and domestic security which may affect the value and viability of any oil and gas activity that may be conducted by the Company.

Economic and Financial Markets Risk

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable

influences on the market for equity securities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Share Market Risk

The market price of the Company's Shares could fluctuate significantly. The market price of the Company's Shares may fluctuate based on a number of factors including the Company's operating performance and the performance of competitors and other similar companies, the public's reaction to the Company's press releases, other public announcements and the Company's filings with securities regulatory authorities, changes in earnings estimates or recommendations by research analysts who track the Company's Shares or the shares of other companies in the sector, changes in general economic conditions, the number of the Company's Shares publicly traded and the arrival or departure of key personnel, acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

In addition, the market price of the Company's Shares is affected by many variables not directly related to the Company's success and are therefore not within the Company's control, including other developments that affect the market for all energy sector shares, the breadth of the public market for the Company's Shares, and the attractiveness and availability of alternative investments.

Force Majeure

The Company, now or in the future, may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Competition

The Company may in the future compete with other companies in the coal bed methane sector. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will be able to compete effectively in this situation.

Risks of Future Profitability

The Company has incurred losses in the past and it is therefore not possible to evaluate the Company's future prospects based on past performance. The Company expects to make losses in the foreseeable future. Factors that may determine the Company's future profitability are its ability to manage its costs and its development and growth strategies, the success of its activities in a competitive market, and the actions of competitors and regulatory developments. As a result, the extent of future profits, if any, and the time required to achieve sustainable profitability, is uncertain. In addition, the level of any such future profitability (or loss) cannot be predicted and may vary significantly from period to period.

11. Board following completion of the Transaction

11.1 Post-Transaction Board structure and biographies

Upon completion of the Transaction:

- Joseph Patrick Burke and Daniel William Eddington will join the Board as Directors;
- Bradley James Drabsch (Non-Executive Director), Anthony David Hall (Non-Executive Chairman) and Dennis Morton (Executive Director) will remain on the Board as Directors; and
- Steven Allen Formica and Adrien Michele Wing will all retire as Directors (although Adrien Michele Wing will remain as secretary of the Company).

Biographies for the existing and proposed Directors are set out below:

Joseph Patrick Burke – proposed Executive Director

Mr Burke is proposed to be appointed as an Executive Director of the Company on and from completion of the Transaction.

Mr Burke has spent 30 years working in Asia and has lived in China, Korea, Japan and Thailand, and has been involved in Mongolian mining enterprises since 2009. Mr Burke was a Director and founding partner of Starboard Global, CEO of ASX listed Voyager Resources Limited (ASX: VOR), and a Director of ASX listed Avenue Resources Limited (ASX:AVY) (now Harvest Minerals Limited). He has also undertaken advisory roles with other ASX listed entities including American Pacific Borates Ltd (ASX:ABR), and Black Rock Mining Limited (ASX:BKT).

Mr Burke holds an MBA from the Australian Graduate School of Management (AGSM).

Daniel William Eddington – proposed Non-Executive Director

Mr Eddington is proposed to be appointed as a Non-Executive Director of the Company on and from completion of the Transaction.

Mr Eddington has over 20 years' experience in the financial markets with experience across multiple sectors including the resource, energy and industrial sectors. He specialises in equity capital markets and has been responsible for IPO's, placements, reverse takeovers, underwritings, corporate negotiations and corporate advisory for companies predominantly in the resource sector.

Mr Eddington has a Bachelor of Commerce Degree from The University of South Australia and a Graduate Diploma in Applied Finance & Investment from the Securities Institute of Australia.

Dennis Morton – current Non-Executive Director

Dennis Morton is a current Non-Executive Director of the Company.

Mr Morton is a geologist with extensive experience in the management of oil and gas companies. He is currently the Managing Director of ASX listed company Gas2Grid Limited (2008-2020) with current and past assets in Australian, NZ, Philippines and France.

Mr Morton was a founder and CEO and Managing Director of ASX listed Eastern Star Gas Limited (2000-2007). The Company's assets included coal seam gas and conventional petroleum projects at Narrabri and elsewhere in NSW and also in Victoria.

Prior to his role at Eastern Star Gas, Mr Morton worked for companies including Eastern Energy Australia Pty Ltd, Hartogen Group of Companies and Esso / Exxon where his roles traversed technical and management capacities across most Australian oil and gas basins and Indonesia, the Philippines and Papua New Guinea.

Mr Morton holds a Bachelor of Arts - Geology with first class honours from the Macquarie University, Sydney.

Anthony David Hall - Chairman

Anthony David Hall is the current Chairman of the Board.

Anthony was previously based in Europe as the CEO and Managing Director of an ASX listed Spanish potash developer. During his tenure, the projects were transitioned from exploration to completion of definitive feasibility studies. Anthony is a qualified lawyer with over 20 years of commercial experience in venture capital, risk management, strategy and business development. He holds a Bachelor of Laws (Hons), Bachelor of Business, a Graduate Diploma in Applied Finance and Investment and is an Associate of the Governance Institute of Australia.

Anthony Hall will remain as Non-Executive Chairman following completion of the Transaction.

Bradley James Drabsch – current Executive Director, proposed Non-Executive Director post-Transaction

Mr Drabsch is a qualified geologist with over 20 years' experience in the mineral exploration industry. Mr Drabsch has acted as Managing Director, Director and Exploration Manager along with technical roles in his earlier career. Mr Drabsch has previously acted as Managing Director of Trek Metals Ltd (ASX:TKM), is a founding Director of Centrepeak Resources Group Pty Ltd (CRG) a niche resources investment company which led the back door listing of gold development company Capricorn Metals Ltd (ASX:CMM). Mr Drabsch has previously worked as Exploration Manager for Doray Minerals Ltd (ASX:DRM), Montezuma Mining Company Limited (ASX:MZM) and Duketon Mining Ltd (ASX:DKM) and in key exploration roles for Ivanhoe Mines Ltd (TSX:IVN) in Mongolia and Independence Group NL (ASX:IGO). Mr Drabsch is currently Managing Director of Western Australian focussed gold explorer DiscovEx Resources Ltd (ASX:DCX) and the chair of a public unlisted company seeking admission to the ASX based upon gold exploration projects in Ethiopia.

Steven Allen Formica

Mr Formica brings to the Company's corporate group practical management and business development experience. He has been a successful businessman and operations manager for over 35 years in several privately held business ventures across multiple industry sectors.

Mr Formica is currently the non-executive chairman of ASX listed Ragnar Metals Limited (ASX:RAG), a non-executive director of ASX listed company Houston We Have Limited (ASX:HWH) (previously Veriluma Ltd) and is a successful investor in a number of ASX listed entities. Mr Formica has previously held directorships with ASX listed companies Orminex Limited (ASX:ONX), Lindian Resources Limited (ASX:LIN) and Bowen Coking Coal Ltd (ASX:BCB) (previously Cabral Resources Limited (ASX:CBD)).

Steven is proposed to retire as a Director upon completion of the Transaction.

Adrien Michele Wing

Adrien is a certified practicing accountant. He has worked in audit and corporate advisory for a chartered accounting firm before moving to assist a number of public companies listed on the ASX as a corporate and account consultant and company secretary.

Adrien is proposed to retire as a Director upon completion of the Transaction. Adrien will remain as company secretary on and from completion of the Transaction.

11.2 Security Interests of existing and proposed Directors

The security interests (direct and indirect) of the existing and proposed Directors of the Company are set out in the table below. These security interests are expressed on a post-Consolidation basis:

Name	Pre-Transaction		Post-Transaction		Pre-Transaction Options	Post-Transaction Options
	Number	%	Number	%		
Post-Transaction Board						
Joseph Patrick Burke	Nil	Nil	414,578,664	34.28%	Nil	8,000,000
Daniel William Eddington	3,098,202	2.74%	69,424,870	5.74%	Nil	4,000,000
Dennis Morton	Nil	Nil	Nil	Nil	Nil	12,000,000
Anthony David Hall	3,208,334	2.83%	48,146,670	3.98%	2,000,000	2,000,000
Bradley James Drabsch	Nil	Nil	Nil	Nil	2,000,000	10,000,000
Existing Directors to retire upon completion of the Transaction						
Steven Allen Formica	2,975,000	2.63%	2,975,000	0.25%	1,000,000	3,000,000

Adrien Michele Wing	3,072,223	2.71%	3,072,223	0.25%	1,000,000	1,000,000

Notes to table:

- *Details of the entities associated with the incoming Directors are set out in section 3.1.*
- *The Directors also have the following holdings of Performance Shares (on a pre-Consolidation basis): Anthony Hall: 9,133,333 Class A Performance Shares and 13,300,333 Class B Performance Shares; Adrien Wing: 6,900,000 Class A Performance Shares and 6,900,000 Class B Performance Shares.*
- *The above does not include the impact of participation, if any, of existing Directors in the Transaction Capital Raising, noting that Resolutions 8A to 8E seek approvals for such participation.*
- *The above includes the proposed issue of Incentive Options the subject of Resolutions 9A to 9C.*
- *Percentages have been rounded to two decimal places.*

12. Acquisition of a relevant interest by the Jade Vendors

12.1 Corporations Act – relevant interest provisions

Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a listed company if the acquisition would result in that person or someone else's voting power increasing from 20% or below to more than 20% or increasing from a starting point that is above 20% and below 90%.

The prohibition in section 606 is subject to the exceptions contained in section 611 of the Act.

Shareholder approval may be sought under item 7 of section 611 of the Act for the acquisition of a relevant interest in securities which would otherwise contravene section 606 of the Act.

Although the Board takes the position that the Jade Vendors are not associated, the Board has determined to seek shareholder approval for the Jade Vendors collectively acquiring a relevant interest. Further details are set out in section 3.2.

The Jade Vendors will collectively acquire a relevant interest in more than 20% of the issued voting shares of the Company following issue of the Consideration Shares. The collectively relevant interest of the Jade Vendors in the issued voting shares of the Company will also increase upon the exercise and conversion of Consideration Options into fully paid ordinary HGM shares.

In addition to the above, Joseph Patrick Burke (and his associates) will acquire a relevant interest in more than 20% of the issued voting shares of the Company following issue of the Consideration Shares. The relevant interest of Joseph Patrick Burke (and his associates) will also increase upon the exercise and conversion of the 8,000,000 Consideration Options held by Mr Burke into fully paid ordinary shares.

For the avoidance of doubt, the relevant interest to be acquired by Mr Burke (and his associates) forms part of, and is not in addition to, the collective relevant interest of the Jade Vendors.

Noting each of the above, shareholder approval is sought for the Jade Vendors to acquire a relevant interest of up to a maximum of 72.11% (rounded up to two decimal places), including Mr Joseph Patrick Burke (and his associates) to obtain an interest in a maximum of 34.72% (rounded up to two decimal places) of the issued share capital of the Company, in each case being greater than 20% of the voting shares of the Company for the purposes of item 7 of section 611 of the Act.

Details including illustrative tabulated examples of the maximum collective relevant interest in the voting shares of the Company that may be acquired by the Jade Vendors is set out in section 12.2.

Details including illustrative tabulated examples of the maximum collective relevant interest in the voting shares of the Company that may be acquired by Mr Burke and his associates is set out in section 12.3.

12.2 Current and maximum voting power of the Jade Vendors

As at the date of this Notice, the Jade Vendors collectively hold approximately 5.57% (rounded up to two decimal places) of the fully paid ordinary shares in the Company.

The key Jade Vendors (which include Mr Burke and his associates) have informed the Company that, other than with respect to the proposed issue of securities as described in this Memorandum, they have no current plans as at the date of the Notice to acquire further shares or convertible securities in future.

The immediately preceding paragraph is consistent with the Statement of Intentions provided by the key Jade Vendors to the Company (refer to section 8.3 and Annexure B).

The below tables sets out:

- (d) the relevant interest collectively held by the Jade Vendors upon issue of the Consideration Shares at completion of the Transaction (table 12.2(a)); and
- (e) the relevant interest collectively held by the Jade Vendors following exercise of 100% of the Consideration Options and any HGM options held by the Jade Vendors (refer section 3.2) to fully paid ordinary shares (table 12.2(b)).

Post-Consolidation numbers are subject to rounding.

Table 12.2(a) - Relevant interest of the Jade Vendors upon issue of Consideration Shares

	Number pre-Consolidation	Number post-Consolidation	% post Transaction
Existing shares	566,172,490	113,234,498	9.36%
<i>Existing shares held by the Jade Vendors and associates</i>	<i>31,532,671</i>	<i>6,306,536</i>	<i>0.52%</i>
Capital Raising Shares	1,250,000,000	250,000,000	20.67%
Consideration Shares	4,230,833,335	846,166,667	69.97%
Total	6,047,005,825	1,209,401,165	100%
Total shares in which Jade Vendors and their associates have a relevant interest	4,262,366,006	852,473,203	70.49%

Table 12.2(b) - Relevant interest of the Jade Vendors upon exercise of Consideration Options and existing options held by Jade Vendors or their associates

	Number pre-Consolidation	Number post-Consolidation	% post Transaction
Existing shares	566,172,490	113,234,498	8.85%
<i>Existing shares held by the Jade Vendors</i>	<i>31,532,671</i>	<i>6,306,536</i>	<i>0.49%</i>
Capital Raising Shares	1,250,000,000	250,000,000	19.54%
Consideration Shares	4,230,833,335	846,166,667	66.14%
<i>Shares issued on exercise of existing options held by the Jade Vendors</i>	<i>10,000,000</i>	<i>2,000,000</i>	<i>0.16%</i>

Shares issued to Vendors on exercise of Consideration Options	340,000,000	68,000,000	5.31%
Total	6,397,005,825	1,279,401,165	100%
Total shares in which Jade Vendors have a relevant interest	4,612,366,006	922,473,203	72.11%

The relevant interest of the Jade Vendors will be reduced upon the issue of any further fully paid ordinary shares and/or the conversion of any existing and/or future convertible securities to fully paid ordinary shares other than as set out in the above tables.

The relevant interest of Mr Burke and his associates in the voting shares of the Company form part of, and are not in addition to, the relevant interest of the Jade Vendors collectively. Details of the relevant interest of Mr Burke and his associates are set out in section 12.3.

12.3 Current and maximum voting power Joseph Patrick Burke and associates

As at the date of this Notice, Joseph Patrick Burke and his associates in combination do not hold any shares or convertible securities in the Company.

The below tables sets out:

- (f) the relevant interest collectively held by Mr Burke and his associates upon issue of the Consideration Shares at completion of the Transaction (table 12.3(a)); and
- (g) the relevant interest collectively held by Mr Burke and his associates following exercise of the Consideration Options to be issued to Mr Burke to fully paid ordinary shares only (table 12.3(b)).

Post-Consolidation numbers are subject to rounding.

Table 12.3(a) - Relevant interest of the Jade Vendors upon issue of Consideration Shares

	Number pre-Consolidation	Number post-Consolidation	% post Transaction
Existing shares	566,172,490	113,234,498	9.36%
Capital Raising Shares	1,250,000,000	250,000,000	20.67%
Consideration Shares	4,230,833,335	846,166,667	69.97%
<i>Consideration Shares to be issued to Mr Burke and associates</i>	<i>2,072,893,320</i>	<i>414,578,664</i>	<i>34.28%</i>
Total	6,047,005,825	1,209,401,165	100%

Table 12.3(b) - Relevant interest of the Jade Vendors upon exercise of Consideration Options

	Number pre-Consolidation	Number post-Consolidation	% post Transaction
Existing shares	566,172,490	113,234,498	9.30%
Capital Raising Shares	1,250,000,000	250,000,000	20.54%
Consideration Shares	4,230,833,335	846,166,667	69.51%
<i>Consideration Shares to be issued to Mr Burke and associates</i>	<i>2,072,893,320</i>	<i>414,578,664</i>	<i>34.05%</i>
Shares issued on exercise of Consideration Options by Mr Burke	40,000,000	8,000,000	0.66%

Total	6,087,005,825	1,217,401,165	100%
Total shares in which Mr Burke and his associates have a relevant interest	2,112,893,320	422,578,664	34.72%

The relevant interest of Joseph Patrick Burke and his associates will be reduced upon the issue of any further fully paid ordinary shares and/or the conversion of any existing and/or future convertible securities to fully paid ordinary shares other than as set out in the above tables.

13. Giving of a financial benefit to a related party

13.1 Overview of Corporations Act provisions

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without the approval of the members of the company. Section 228 of the Corporations Act defines a “related party” for the purposes of Chapter 2E of the Corporations Act to include:

- (a) directors of the public company (section 228(2)(a)); and
- (b) an entity controlled by directors of the public company (section 228(4)).

Section 228(6) provides that an entity is a related party of a public company at a particular time if the entity believes or has reasonable grounds to believe that it is likely to become a related party of the public company of a kind referred to in subsection (1), (2), (3) or (4) at any time in the future.

The potential related party link between the Company and the Jade Vendors is described below:

- (h) JAWAF Enterprises Pty Ltd, an entity associated with Anthony David Hall who is a current Director of the Company;
- (i) Joseph Patrick Burke and GM Ventures & Investments Limited and Scor go Luath Limited (being entities associated with Joseph Patrick Burke) and Daniel William Eddington, Julie Eddington, Dacama Pty Ltd and Dejul Trading Pty Ltd (being entities associated with Daniel William Eddington), each being an entity associated with an individual being proposed to be appointed as a Director and therefore each of the relevant Jade Vendors are entities to whom the Company has a reasonable basis for believing will become related parties of the Company in future as contemplated by section 228(6) of the Corporations Act; and
- (j) The remaining Jade Vendors may be considered to be acting in concert with the Jade Vendors who are related parties with respect to the Transaction and accordingly may be considered to be related parties as set out above of the Company under section 228(7) of the Corporations Act. The Company is of the view that these Jade Vendors are not acting in concert with each other or the Jade Vendors who are related parties on the basis they are each separately making a commercial decision in their own best interest, however for the purpose of Resolution 4 the Company has determined to treat these Jade Vendors as being related parties. Further details are set out in sections 3.2 and 3.3.

Accordingly, Resolution 4 seeks approval for the issue of the Consideration Shares and Consideration Options to the Jade Vendors to the extent such issues constitute the giving of a financial benefit to a related party(ies) for which, subject to certain exceptions, shareholder approval is required under Chapter 2E of the Corporations Act.

A “financial benefit” is defined in section 229 of the Corporations Act and includes purchasing an asset from a related party and an issue or issues of securities to a related party. The issue of the Consideration Shares to the Jade Vendors each respectively constitute the giving of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

Having regard to the relevant guidance from ASIC, the Directors considered it necessary and appropriate to engage an independent expert to consider the Transaction, and in particular the value of the shares offered to the Jade Vendors. Accordingly, the Directors do not consider it appropriate that they separately provide any view or opinion on the value of the Consideration Shares. That said, for the purposes of full disclosure, the value attributed to the Consideration Shares to be issued to each of Anthony David Hall, Joseph Patrick Burke and Daniel William Eddington (and their respective associates), being the related parties of the Company who are also Jade Vendors, on a post-consolidation basis (at both the Capital Raising issue price and on the basis of the preferred value adopted by the independent expert) is set out in the table below.

Recipient	Consideration Shares	Total \$ Value (Assuming the 'preferred value' adopted by the independent expert) ^(a)	Total \$ Value (On the basis of the value per share of the Capital Raising) ^(b)
Anthony David Hall	44,938,336	\$359,506	\$1,348,150
Joseph Patrick Burke	414,574,664	\$3,316,597	\$12,437,240
Daniel William Eddington	66,326,668	\$530,613	\$1,989,800
Total	525,839,668	\$4,206,716	\$15,775,190

The calculation of the value attributed to the Consideration Shares to be received by each of the above named related parties (in combination with their associates) is based on the following alternatives:

- (a) A value per Consideration Share of \$0.008. This value is the preferred value of an HGM share on a minority interest basis as set out in Section 2.4 of the Independent Expert's Report in Annexure A.
- (b) A value per Consideration Share of \$0.03. This value is the price of a HGM share offered under the Transaction Capital Raising.

13.2 Requirement for shareholder approval

Section 210 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party, where the financial benefit is on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length.

The Board consider that there are factors which may indicate that the Transaction is, and was negotiated, on arm's length terms and therefore shareholder approval for the purposes of Chapter 2E of the Corporations Act is not required. These factors include the robust negotiations between the Company and the Jade Vendors with respect to the Transaction and that each party to the negotiations received independent advice on the Transaction. In addition, Anthony David Hall was excluded from all negotiations and discussions undertaken by the Company in connection with the Transaction on the basis that JAWAP Enterprises Pty Ltd, an entity associated with him, is a Jade Vendor.

Notwithstanding this, the Directors have determined to seek shareholder approval for the purposes of Chapter 2E of the Corporations Act (i.e. on the basis the Transaction does not meet the arm's length exception under the Corporations Act) to provide shareholders with the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report. A voting prohibition under the Corporations Act applies to Resolution 4.

13.3 Other opportunities

The Company negotiated and explored other opportunities prior to determining to undertake the Transaction. These opportunities were ultimately not pursued by the Company and it was determined by the Board to pursue the Transaction having regard to the matters set out in this Memorandum. The opportunities examine included an assessment of approximately 10 projects across a range of

jurisdictions primarily relating to mineral exploration projects (including projects targeting gold, lead, phosphate) which were discussed at Board level (with others assessed and rejected during a due diligence process prior to Board level consideration).

13.4 ASX Listing Rules

The Board does not consider that Jade itself is a related party of the Company on the basis that Anthony David Hall, a Director of the Company and an associate of a Jade Vendor as identified above, does not control Jade nor the Company and did not participate in the decision making process and the other potential related party links between the Company and Jade are specific exceptions under ASX Listing Rule 10.3(g).

Notwithstanding this, the Directors have determined to seek shareholder approval for the purposes of ASX Listing Rule 10.1 to provide shareholders with the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report. Further details are set out in section 14 and Annexure A.

14. Resolutions

Resolution 1A and 1B: Approval of the Jade Transaction – ASX Listing Rules

Resolutions 1A and 1B in combination seek shareholder approval for the Company's proposed acquisition by the Company of Jade pursuant to the Transaction.

If shareholders pass Resolutions 1A and 1B then, subject to the other Acquisition Resolutions passing, the Company will be able to proceed with the Transaction including the issue of the Consideration Options (which form part of the approval sought under Resolutions 1A and 1B) and the Consideration Shares. The approval will also increase the Company's ongoing capacity to issue securities without shareholder approval under ASX Listing Rule 7.1. If shareholders do not approve Resolution 1A, 1B or either of them then no securities in connection with the Transaction will be issued and the Transaction will not proceed.

Resolution 1A: ASX Listing Rule 11.1.2

Resolution 1A seeks shareholder approval for the purposes of ASX Listing Rule 11.1.2 for the change of the nature and scale of the activities of the Company arising from the Transaction.

Details of the Jade business are set out in Sections 8, 9 and 10 of this Memorandum.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for; and
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated it requires the Company to:

- (a) obtain the approval of shareholders for the proposed change of activities pursuant to ASX Listing Rule 11.1.2; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (in accordance with ASX Listing Rule 11.1.3).

Accordingly, the Company seeks shareholder approval for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2 and pursuant to ASX Listing Rule 11.1.3 in order for the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Details of the proposed acquisition by the Company of Jade and the proposed changes to the structure and operations of the Company are described throughout this Memorandum.

A voting exclusion as set out in the Notice applies to this Resolution.

Resolution 1A also seeks shareholder approval for the issue of shares at an issue price of less than \$0.20 required by ASX Listing Rule 2.1 [Condition 2] and the issue of options with an exercise price of less than \$0.20 required by ASX Listing Rule 1.1 [Condition 12] in accordance with the waivers previously granted by ASX which the Company has sought to be refreshed. Please refer to section 5.7 for further details.

Resolution 1B - ASX Listing Rule 10.1

Resolution 1B seeks shareholder approval for the purposes of ASX Listing Rule 10.1 for the acquisition by the Company of a substantial asset from a related party.

As noted throughout this Memorandum, the Board does not consider that Jade itself is a related party of the Company on the basis that Anthony David Hall, a Director of the Company and an associate of a Jade Vendor as identified above, does not control Jade nor the Company and did not participate in the decision making process and the other potential related party links between the Company and Jade are specific exceptions under ASX Listing Rule 10.3(g).

Notwithstanding this position, the Directors have determined to seek shareholder approval for the purposes of ASX Listing Rule 10.1 to provide shareholders with the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report. Further details are set out in Annexure A.

The following information is provided in accordance with ASX Listing Rule 10.5:

- (a) The Company will be acquiring Jade from the Jade Vendors. JAWAF Enterprises Pty Ltd, an entity associated with Anthony David Hall who is a Director of the Company and therefore a related party, is one of the Jade Vendors.
- (b) JAWAF Enterprises Pty Ltd is an entity associated with a current Director of the Company and is therefore a related party of the Company under ASX Listing Rule 10.1.1.
- (c) The substantial asset being acquired are the assets of Jade, a corporate entity. The Company proposes acquiring Jade by acquiring all the capital and rights to capital in Jade from the Jade Vendors. Further details are set out throughout this Memorandum.
- (d) The consideration payable under the Transaction on a post-Consolidation basis as set out in section 2.1 comprises:
 - 846,166,667 fully paid ordinary HGM shares (**Consideration Shares**); and
 - 68,000,000 unlisted options, each with an exercise price of \$0.045 (4.5 cents), expiry date of 30 June 2023 and which, upon exercise, entitle the holder to one fully paid ordinary share in the capital of the Company (**Consideration Options**). Full terms of the Consideration Options are set out in Annexure D.
- (e) The Transaction is proposed to be completed as soon as possible in accordance with the timetable set out in Section 2.4 of this Memorandum.
- (f) The material terms of the existing arrangements between the Company and the Key Jade Vendors are set out in section 2.1. The Company will release an announcement to ASX that includes a summary of the definitive documentation (which will largely reflect the existing arrangements between the Company and the Key Jade Vendors) at the time of execution.

- (g) A voting exclusion statement as set out in the Notice applies to this Resolution.
- (h) An independent expert's report is set out in Annexure A. The conclusion of the Independent Expert is that the giving of financial benefits to, and the acquisition of a substantial asset from, the Jade Vendors, as related parties of the Company, for which shareholder approval is sought under Resolution 1B (and Resolution 4), are not fair but reasonable to non-associated shareholders.

Resolution 2: Approval for acquisition of a relevant interest - Jade Vendors

Resolution 2 seeks approval pursuant to item 7 of section 611 of the Corporations Act for:

- the acquisition by the Jade Vendors of an aggregate relevant interest, and an increase in the voting power held by the Jade Vendors, from 5.57% to a maximum of 72.11% (rounded up to two decimal place) of the voting shares of the Company; and
- the acquisition by Joseph Patrick Burke (and his associates) of a maximum relevant interest of 34.72% (rounded up to two decimal place) of the voting shares of the Company. For the avoidance of doubt, the relevant interest proposed to be acquired by Joseph Patrick Burke (and his associates) forms part of, and is not in addition to, the maximum relevant interest proposed to be acquired by the Jade Vendors in combination.

Further details of the calculation of the relevant interest currently held, and proposed to be acquired, are set out in sections 3 and 12.

Resolution 3: Consolidation of shares

Resolution 3 seeks approval from the Company's shareholders to consolidate the number of ordinary fully paid shares on issue on a 5 to 1 basis (**Consolidation**).

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company having regard to the proposed acquisition by the Company of Jade and the Company seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

The convertible securities on issue will be consolidated in the same ratio as the fully paid ordinary shares of the Company and the relevant exercise prices amended in inverse proportion to that ratio.

The tables in section 8 set out the Company's current and proposed issued shares and convertible securities, and the effect of the Consolidation on those shares and convertible securities (assuming no convertible securities are converted to fully paid ordinary shares and disregarding rounding).

Not all security holders will hold a number of securities which can be evenly divided. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole security.

Security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company, the existing directors and the proposed director and their advisers do not accept any responsibility for the individual taxation implications arising from the Consolidation.

From the date of the Consolidation, all holding statements for previously held securities will cease to have any effect, except as evidence of entitlement to a certain number of securities to be calculated on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to holders of those securities. It is the responsibility of each security holder to check the number of securities held prior to disposal.

The Consolidation is proposed to take effect as soon as practicable after this Resolution 6 is passed. It is proposed that share and convertible security holders will be sent updated statements of their holdings within 10 business days after the consolidation takes effect. An indicative timetable for the Consolidation is contained in the broader timetable for the Transaction in Section 2.4.

As stated elsewhere in the Notice and this Memorandum (notably on pages 2 and 12), all figures are included on a post-Consolidation basis unless otherwise stated.

Resolution 4: Approval for giving of a financial benefit to related parties

Resolution 4 seeks shareholder approval for the giving of a financial benefit to the Jade Vendors, who are deemed related parties of the Company in accordance with section 228(6) of the Corporations Act.

The financial benefit being given to the Jade Vendors is the consideration payable by the Company at completion of the Transaction, comprising an aggregate of 846,166,667 Consideration Shares and 68,000,000 Consideration Options.

It is noted that:

- JAWAF Enterprises Pty Ltd is associated with Anthony David Hall, an existing Director of the Company.
- Joseph Patrick Burke and GM Ventures & Investments Limited and Scor go Luath Limited (being entities associated with Joseph Patrick Burke) and Daniel William Eddington, Julie Eddington, Dacama Pty Ltd and Dejul Trading Pty Ltd (being entities associated with Daniel William Eddington) are only deemed to be related parties of the Company by operation of section 228(6) of the Corporations Act then, in accordance with ASX Listing Rule 10.12 Exception 12, shareholder approval for the giving of a financial benefit to a related party is not required under Chapter 10 of the ASX Listing Rules.
- As noted in section 13.1, the Company is of the view that the Jade Vendors other than as set out above are not related parties as they are not acting in concert with each other or the Jade Vendors who are related parties on the basis they are each separately making a commercial decision in their own best interest, however for the purpose of Resolution 4 the Company has determined to treat these Jade Vendors as being related parties. Further details are set out in sections 3.2, 3.3 and 13.

As noted in sections 3.3 and 13.2, the Board considers that there are factors which may indicate that the Transaction terms are and were negotiated on arm's length terms. Notwithstanding this, the Directors have determined to seek shareholder approval for the purposes of Chapter 2E of the Corporations Act (i.e. on the basis the Transaction does not meet the arm's length exception under the Corporations Act) to provide shareholders with the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report.

Further details of the Transaction and the rationale for the Company seeking shareholder approval for the purposes of Chapter 2E of the Corporations Act (including an overview of the Corporations Act regime) are set out in sections 2, 3 and 13.

Resolutions 5A and 5B: Appointment of Directors

The Constitution of the Company provides that the Company may elect a person as a Director by resolution passed in general meeting. A Director elected at a general meeting is taken to have been elected with effect immediately after that general meeting unless the resolution by which the Director was appointed or elected specifies a different time.

The Company proposes Joseph Patrick Burke and Daniel William Eddington be elected as a Directors of the Company, on and from the successful completion of the Transaction.

Details of the qualifications and relevant professional and commercial experience for each of Joseph Patrick Burke and Daniel William Eddington are set out in section 11.

Resolution 6: Approval for Transaction Capital Raising

Resolution 6 seeks approval from the purposes of ASX Listing Rule 7.1 for the issue of 250,000,000 fully paid ordinary shares at an issue price of \$0.03 (3 cents) per Capital Raising Share to raise \$7.5 million (before costs) pursuant to the Transaction Capital Raising. The Company is seeking shareholder approval under Resolutions 8A to 8E for the Directors of the Company to have the right to collectively subscribe for up to a maximum of 13,833,335 Capital Raising Shares (maximum of \$415,000).

Further details of the Transaction Capital Raising are set out in section 5.2 of this Memorandum.

The Company has sought and previously received from ASX a waiver of ASX Listing Rule 2.1 Condition 2 to permit the issue of Capital Raising Shares under the Transaction Capital Raising at a price of less than \$0.20 (20 cents) per Capital Raising Share. The Company has sought to refresh this waiver. Please refer to section 5.7 for further details.

ASX Listing Rule 7.1 provides that a company must not, subject to specific exceptions, issue or agree to issue during any twelve month period any equity securities, or other securities with rights to conversion to equity, if the number of those securities exceeds 15% of the company's issued share capital at the commencement of the twelve month period. One circumstance where an action or an issue is not taken into account in calculating the 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

If shareholders pass Resolution 6 then, subject to the other Acquisition Resolutions passing, the Company will be able to proceed with the Transaction and issue the Capital Raising Shares. The approval will also increase the Company's ongoing capacity to issue equity securities without shareholder approval under ASX Listing Rule 7.1. If shareholders do not approve Resolution 6 then the Capital Raising Shares will not be issued and the Transaction will not proceed.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- The maximum number of securities is 250,000,000 fully paid ordinary HGM shares (**Capital Raising Shares**).
- The Capital Raising Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary fully paid shares.
- The fully paid ordinary shares will be issued no later than 6 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- The issue price will be \$0.03 (3 cents) per Capital Raising Share. The Company has sought and previously received from ASX a waiver of ASX Listing Rule 2.1 Condition 2 to permit the issue of Capital Raising Shares under the Transaction Capital Raising at a price of less than \$0.20 (20 cents) per Capital Raising Share. The Company has sought to refresh this waiver. Please refer to section 5.7 for further details.
- The Capital Raising Shares are proposed to be issued to the applicants under the Transaction Capital Raising offer which is to be made pursuant to a prospectus. No Capital Raising Shares will be issued to any related parties of the Company other than as approved by shareholders (refer Resolutions 8A to 8E).
- The Company intends to use the funds raised from the Capital Raising Shares issued under the Transaction Capital Raising (after costs) to fund the exploration and development of the Jade projects and rights. An indicative use of funds is set out in section 5.2 and a detailed use of funds will be set out in the prospectus to be issued by the Company. Details of the Transaction are set out throughout this Memorandum with the details of the Jade business being as set out in sections 8, 9 and 10 of this Memorandum.
- A voting exclusion statement as set out in the Notice applies to this Resolution 6.

Resolution 7: Change of company name and constitution amendment

Section 136(2) of the Corporations Act provides that a company may modify its constitution, or a provision of its constitution, by special resolution.

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 7 seeks the approval of shareholders for the Company to change its name to “Jade Gas Holdings Limited”. The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company upon the successful completion of the Transaction.

Resolution 7 also seeks the approval of shareholders of the Company to make minor amendments to the constitution to reflect the change of the name of the Company to Jade Gas Holdings Limited by changing all references in the constitution to the name of the Company to Jade Gas Holdings Limited.

If Resolution 7 is passed the change of name and amendments to the constitution of the Company will take effect after the successful completion of the Transaction and when ASIC alters the details of the Company’s registration.

If Resolution 7 is passed, the Company will lodge a copy of the special resolution with ASIC on successful completion of the Transaction in order to effect the change.

Resolution 7 is a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the Resolution by shareholders (by number of shares) must be in favour of the resolution.

Resolutions 8A to 8E: Proposed Director participation in Transaction Capital Raising

Resolutions 8A to 8E seek shareholder approval for the purposes of ASX Listing Rule 10.11 for the existing directors and a separate related party of the Company to participate in the Capital Raising by subscribing for Capital Raising Shares on the same terms as other investors under the Capital Raising.

The maximum subscription that may be made by each Director and the related party (and/or their nominee(s)) and the maximum number of shares under the Capital Raising represented by the maximum subscription are set out in the table below:

RESOLUTION	PARTICIPANT*	MAXIMUM SUBSCRIPTION	MAXIMUM CAPITAL RAISING SHARES
8A	Anthony Hall	\$120,000	4,000,000
8B	Bradley Drabsch	\$25,000	833,334
8C	Steven Formica	\$200,000	6,666,667
8D	Adrien Wing	\$200,000	6,666,667
8E	Dennis Morton	\$50,000	1,666,667
TOTAL		\$595,000	19,833,335

**Note: may be issued to a nominee(s) of a named participant*

It is expressly noted that details of any participation by Directors in the Transaction Capital Raising will not be released to ASX until such time as the Capital Raising Shares have been issued.

Resolutions 8A to 8E also seeks shareholder approval to issue the Capital Raising Shares to the Directors noted in the table above at an issue price of less the \$0.20 (20 cents) per Capital Raising Share.

ASX Listing Rules

ASX Listing Rule 10.11 requires a company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the company. For the purpose of Listing Rule 10.11, a related party includes a director of the company, an entity over which a Director has control and an entity which ASX believes, or has reasonable grounds to believe, is likely to become a related party of the company in the future.

Shareholder approval is being sought under Listing Rule 10.11 for each of Resolutions 8A to 8E and as such approval is not required under ASX Listing Rule 7.1.

If shareholders approve Resolutions 8A to 8E, the Directors noted in the table above will have the right, but not the obligation, to subscribe for up to the maximum number of Capital Raising Shares as noted in the table above. If shareholders do not approve Resolutions 8A to 8E then the Directors will not have the right to subscribe for Capital Raising Shares. For the avoidance of doubt, the right to participate in the Transaction Capital Raising will only be granted to Directors pursuant to a Resolution or Resolutions approved by shareholders.

ASX Listing Rule 10.13 requires the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include specific information which is set out below with respect to Resolutions 8A to 8E:

- (a) The proposed participants, maximum subscription and maximum number of Capital Raising Shares that may be acquired by each of Resolutions 8A to 8E are passed in set out below:

RESOLUTION	PARTICIPANT*	MAXIMUM SUBSCRIPTION	MAXIMUM CAPITAL RAISING SHARES
8A	Anthony Hall	\$120,000	4,000,000
8B	Bradley Drabsch	\$25,000	833,334
8C	Steven Formica	\$200,000	6,666,667
8D	Adrien Wing	\$200,000	6,666,667
8E	Dennis Morton	\$50,000	1,666,667
TOTAL		\$595,000	19,833,335

**Note: may be issued to a nominee(s) of a named participant*

- (b) Each of the proposed participants is a related party of the Company (being a current Director of the Company) for the purposes of ASX Listing Rule 10.11.1.
- (c) The Company will issue the Capital Raising Shares that are subscribed for by related parties at the same time as issue of all other Capital Raising Shares and in any event no later than the date of issue of the Capital Raising Shares under the Transaction Capital Raising in accordance with the waiver previously granted by ASX. The Company has sought to refresh this waiver. Please refer to section 5.7 for further details.
- (d) Capital Raising Shares have a subscription price of \$0.03 (3 cents) per share. Funds raised from the issue of Capital Raising Shares are proposed to be used as set out in the use of funds in section 5.2 of this Memorandum.
- (e) A voting exclusion for Resolutions 8A to 8E is set out in the Notice.

Chapter 2E – Corporations Act – Resolutions 8A to 8E

Each of the proposed participants in the Capital Raising under Resolutions 8A to 8E are Directors of the Company in the last 6 months and they are each therefore related parties under the Corporations Act.

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without approval of the company's members (shareholders). The issue of Capital Raising Shares under the Transaction Capital Raising would constitute the giving of a financial benefit as defined under section 229 of the Corporations Act.

Section 210 of the Corporations Act provide an exception to the requirement to obtain shareholder approval for the giving of a financial benefit to a related party where the benefit is given on terms that would be reasonable if the company and the related party were dealing on arm's length or on terms less favourable to the related party than terms that would be reasonable if the company and the related party were dealing on arm's length terms.

The existing Directors of the Company (with each not being present during consideration of their specific proposed participation in the Capital Raising) have formed the view that the participation of the other existing Directors is on terms that would be reasonable in circumstances if the Company and each of the respective parties were dealing on arm's length terms. The existing Directors (with each not being present during consideration of their proposed participation in the Transaction Capital Raising) have formed this view on the basis that the related parties would be provided the right to participate in the Transaction Capital Raising on the same terms as all other investors in the Transaction Capital Raising, which is proposed to be made pursuant to a public disclosure document (prospectus).

Notwithstanding the above, and although no Director participated in the discussions or the decision making process in respect of the right to subscribe for Capital Raising Shares proposed to be granted to them, the Directors acknowledge that Resolutions 8A to 8E relate to the giving of a financial benefit to a majority of them. Accordingly, the Directors propose that Resolution 8A to 8E each also be put to shareholders for the purposes of section 195(4) of the Corporations Act such that shareholders determine whether the existing Directors named in Resolutions 8A to 8E have the right, but not the obligation, to subscribe for Capital Raising Shares as set out in 8A to 8E.

If Resolutions 8A to 8E are passed then the Directors named in Resolutions 8A to 8E will have the right, but not the obligation, to subscribe for up to the maximum number of Capital Raising Shares set out in Resolutions 8A to 8E.

Resolutions 9A to 9C: Proposed issue of Incentive Options to Directors

Resolutions 9A to 9C seeks shareholder approval to issue an aggregate of 22,000,000 Incentive Options, each with an exercise price of (\$0.045 (4.5 cents) (which is less than the \$0.20 required by ASX Listing Rule 1 [Condition 12]), expiry date of 30 June 2023 and which, upon exercise, entitle the holder to one fully paid ordinary share in the capital of the Company. Incentive Options have the same terms as Consideration Options. The full terms of the Incentive Options are set out in Annexure D. The proposed recipients of the Incentive Options and the number of Incentive Options to be issued to each are set out in the table below:

RESOLUTION	RECIPIENT*	INCENTIVE OPTIONS
9A	Bradley Drabsch	8,000,000
9B	Steven Formica	2,000,000
9C	Dennis Morton	12,000,000
TOTAL		22,000,000

**Note: may be issued to a nominee(s) of a named recipient*

The issue of the Incentive Options is subject to and conditional upon completion of the Transaction.

Resolutions 9A to 9C also seek shareholder approval to issue the Incentive Options to the recipients noted in the above table with an exercise price of less than \$0.20 (20 cents) per Incentive Option.

ASX Listing Rules

ASX Listing Rule 10.11 requires a company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the company. For the purpose of Listing Rule 10.11, a related party includes a director of the company, an entity over which a Director has control and an entity which ASX believes, or has reasonable grounds to believe, is likely to become a related party of the company in the future.

Shareholder approval is being sought under Listing Rule 10.11 for Resolutions 9A to 9C and as such approval is not required under ASX Listing Rule 7.1.

If Shareholders approve Resolutions 9A to 9C then, subject to and conditional upon completion of the Transaction, the Company will issue the Incentive Options as set out in the table above. If shareholders do not approve Resolutions 9A to 9C then the Incentive Options will not be issued. For the avoidance of doubt, Incentive Options will only be issued pursuant to a Resolution or Resolutions that are approved by shareholders.

ASX Listing Rule 10.13 requires the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include specific information which is set out below with respect to Resolutions 9A and 9C:

- (a) The proposed recipients and the maximum number of Incentive Options to be acquired by each person for whom approval under ASX Listing Rule 10.11 is sought under Resolutions 9A to 9C is set out in the table below:

RESOLUTION	RECIPIENT*	INCENTIVE OPTIONS
9A	Bradley Drabsch	8,000,000
9B	Steven Formica	2,000,000
9C	Dennis Morton	12,000,000
TOTAL		22,000,000

** Incentive Options may be issued to nominee(s) as advised to the Company*

- (b) Each of the proposed recipients are Directors of the Company and are therefore related parties for the purposes of ASX Listing Rule 10.11.1.
- (c) Incentive Options have an exercise price of \$0.045 (4.5 cents) (which exercise price is less than the \$0.20 required by ASX Listing Rule 1.1 [Condition 12]) expire 30 June 2023 and otherwise have terms as set out in Annexure C.
- (d) The Company will issue the Incentive Options immediately prior to completion of the Transaction and in any event no later than the date of issue of the Capital Raising Shares under the Transaction Capital Raising in accordance with the waiver previously granted by ASX. The Company has sought to refresh this waiver. Please refer to section 5.7 for further details.
- (e) No funds will be raised upon issue of the Incentive Options. Funds raised upon exercise of Incentive Options (if any) will be used to meet the working capital requirements of the Company at the time of exercise.
- (f) Details of the remuneration package of each of the proposed recipients of Incentive Options are set out below:
- (i) Bradley Drabsch: \$5,000 per month for acting as an Executive Director.
- (ii) Steven Formica: \$5,000 per month for acting as a Director.

- (iii) Dennis Morton: \$5,000 per month for acting as a Director.
- (g) Incentive Options are proposed to be issued as reasonable remuneration to each of the proposed recipients.
- (h) A voting exclusion for Resolutions 9A to 9C is contained in the Notice.

Corporations Act

Under Chapter 2E of the Corporations Act, a public company cannot give a “financial benefit” to a “related party” unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Each of the proposed recipients of Incentive Options under Resolutions 9A to 9C are related parties of the Company as defined under the Corporations Act.

Section 211 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given to the related party as an officer of the Company and to give the remuneration would be reasonable given:

- (a) the circumstances of the Company; and
- (b) the related party’s circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue is reasonable remuneration and, as such, fall within the exception set out in section 211 of the Corporations Act.

In reaching this view, the Company has considered the respective positions and responsibilities of each of the Directors, the Company’s reliance on a limited number of personnel, the need for the Company to effectively incentivise each of the Directors while aligning the incentive with increasing shareholder value, the desirability of preserving cash resources within the Company, and the terms of the Incentive Options. The Company considers that the issue of Incentive Options is an effective tool which preserves the cash reserves of the Company and its group entities whilst providing valuable consideration for the Directors.

Each Director was not present during any discussions and/or determination of the proposed issue of their respective Incentive Options.

Notwithstanding the above, and although no Director participated in the discussions or the decision making process in respect of the grant of Incentive Options to them, the Directors acknowledge that Resolutions 9A to 9C relate to the giving of a financial benefit to a majority of them. Accordingly, the Directors propose that Resolution 9A to 9C each also be put to shareholders for the purposes of section 195(4) of the Corporations Act such that shareholders determine whether the existing Directors named in Resolutions 9A to 9C are to be granted the Incentive Options.

Following issue of the Incentive Options, each of the Directors named in Resolutions 9A to 9C will have an interest in the Incentive Options to be issued to them in accordance with Resolutions 9A to 9C.

Resolution 10 – proposed increase to Non-Executive Director remuneration pool

In accordance with the Constitution of the Company and ASX Listing Rule 10.17, shareholder approval is sought to increase the maximum aggregate amount that may be paid by the Company to its non-executive Directors (**Fee Pool**) by \$100,000, from \$300,000 per annum to \$400,000 per annum.

Under the ASX Listing Rules, the term “directors’ fees” includes committee fees, superannuation contributions and fees for which a director sacrifices for other benefits, but does not include reimbursement of genuine out-of-pocket expenses, genuine “special exertion” fees or securities issued to non-executive directors with the approval of shareholders in accordance with the ASX Listing Rules.

The Directors are seeking shareholder approval to increase the Fee Pool for the following reasons:

- As a result of the growth of the Company, the Directors continue to review the size and composition of the Board. The increase in the Fee Pool will provide the Board with the ability to attract and appoint additional directors with the requisite skill and experience as appropriate; and
- The increase will ensure the Company maintains the ability to pay non-executive directors' remuneration commensurate with market rates and as necessary to attract and retain non-executive directors of the highest calibre.

The level of non-executive directors' remuneration of the Company is reviewed periodically to ensure alignment with market rates. The directors are satisfied the proposed Fee Pool will be within the average bands applying to companies within the Company's industry of a similar size and profitability and have similar growth and risk profiles (including following completion of the Transaction) and that the proposed increase to the Fee Pool is appropriate for the reasons set out above. This does not imply that the full amount of the Fee Pool will be used.

The following information is provided in accordance with ASX Listing Rule 10.17:

- The amount of the proposed increase is \$100,000.
- The maximum aggregate amount of directors fees that may be paid collectively to the non-executive Directors of the Company is currently \$300,000 and, if this Resolution 10 is approved, will increase to \$400,000.
- The Company has issued the following securities to non-executive Directors under ASX Listing Rule 10.11 or 10.14 over the last three (3) years:
 - At the general meeting of the Company on 19 January 2018, shareholders approved that the Non-Executive Directors of the Company have the right to subscribe for up to a specified number of shares under a capital raising at an issue price of \$0.03 per share. The relevant shares were issued on 26 February 2018. Details of the number of shares for which each Non-Executive Director was able to subscribe, and the number actually subscribed for, are set out below:
 - Jerome Gino Vitale: maximum of 2,500,000 shares, 2,250,000 shares issued;
 - David Palumbo: maximum 2,500,000 shares, 1,000,000 shares issued; and
 - Steven Formica: maximum 12,500,000 shares, 6,000,000 issued.
 - At the 2019 Annual General Meeting on 29 May 2019, shareholders approved the issue of 5,000,000 unlisted options (each with an exercise price of \$0.03 and expiry date of 30 June 2022) to each of Steven Formica and Adrien Wing (an/or their nominee(s)), each of whom was a Non-Executive Director at the time of shareholder approval and who continue to be Non-Executive Directors. These options were issued on 18 June 2019. An additional 5,000,000 unlisted options were also approved and issued on the same date to Simon Francis, a prior Non-Executive Director of the Company who was a related party under Chapter 10 of the ASX Listing Rules.

In addition to the above, it is proposed that Incentive Options will be issued to Directors as provided for by Resolutions 9A to 9C.

- A voting exclusion statement as set out in the Notice applies to this Resolution 10.

Additional information regarding the remuneration paid to each non-executive director for the financial year ended 31 December 2020, and the approach of the Company to the remuneration of non-executive directors, is set out in the Company's 2020 Annual Report which can be viewed online at the Company's website, www.highgrademetals.com.au.

15. Director recommendations

Each of the Company's Directors has approved the issue of the Notice and this Memorandum.

All Directors recommend that shareholders read the Notice and this Memorandum (including its Annexures which include the Independent Expert's Report) prior to determining how to vote on the Acquisition Resolutions set out in the Notice.

It is noted for the benefit of shareholders that the Company currently intends to hold its existing Austrian projects on care and maintenance while it seeks to identify a joint venture partner, in accordance with the strategy set out in the announcement of the Company released to ASX, including in the Annual Report of the Company for the Year Ended 31 December 2020 as released to ASX on 24 February 2021.

Acquisition Resolutions

JAWAF Enterprises Pty Ltd, an entity associated with Anthony David Hall, is a Jade Vendor. According, Anthony David Hall does not provide any recommendation with respect to any of the Acquisition Resolutions.

Each of the Directors other than Anthony David Hall recommend that shareholders vote in favour of all of the Acquisition Resolutions.

The Directors (including Anthony David Hall) believe that the Transaction is in the best interest of, and has the potential to transform, the Company.

The reasons for the Directors' (other than Anthony David Hall) recommendations are as follows:

- (a) The Board has carefully considered both the opportunities which its current assets present and the opportunities which the Mongolian projects present. Importantly the Board has considered the nature of the exploration, development and exploitation risks associated with both sets of projects and the capital required to progress them. The Austrian projects are fundamentally exploration in nature whilst the Mongolian projects have already been the subject of economic studies and as such are development in nature. Capital required for development stage projects and the risk return profile is very different to the capital required and the risk return profile of exploration projects. This factor coupled with the assessment of exploration results received to date, the current economics of the target minerals, and an assessment of administrative and physical access risks for the Austrian projects has led the Board to two conclusions:
 - The most viable means of developing the Austrian projects is with a joint venture partner; and
 - The Mongolian projects represent a compelling opportunity for the Company to progress as its primary business activities.
- (b) The Board has assessed numerous opportunities prior to seeking to pursue the Transaction, which have included an assessment of approximately 10 opportunities that have been discussed at Board level (with others assessed and rejected during a due diligence process prior to Board level consideration).
- (c) Against this background, the Board (other than Anthony David Hall) has formed the view to recommend the Transaction for reasons which include:
 - The geological setting of the project, within one of the world's largest known coal fields, is considered by the Board to de-risk the inherent exploration risk associated with new exploration projects. Further, the proximal location of the project to the Oyu Tolgoi JV controlled by Rio Tinto (currently sourcing energy from China) presents a market opportunity for gas produced.

Accordingly, the potential scale of the project and the opportunity it presents makes it superior to any other project examined by the Company.

- The opportunity to seek to exploit a project in conjunction with a State-owned joint venture partner is considered by the Board to be preferable to operating alone or with a private joint venture partner.
- The key representatives of the vendors have CBM and coal markets in the region.
- Indications from the Government of Mongolia point to a willingness to transform its energy base from a reliance on coal towards gas sourced locally.

Other Resolutions

The Directors unanimously recommend shareholders vote in favour of Resolution 7.

The Directors each abstain from making any recommendation with respect to their personal participation in the Capital Raising under resolutions 8A to 9C. The Directors do, however, recommend shareholders vote in favour of those resolutions of Resolutions 8A to 9C that do not relate to their personal interests.

As Resolution 10 relates to the aggregate amount payable to the Non-Executive Directors of the Company the Directors do not make any recommendation in respect of Resolution 10.

Items of business – Annual General Meeting component

2020 Annual Financial Statements

The Annual Financial Statements, comprising the Financial Report, Directors' Report and Auditor's Report for the year ended 31 December 2020 will be laid before the meeting. Shareholders will have the opportunity to ask questions about, or make comments on, the 2020 Annual Financial Statements and the management of the Company. A representative of the auditor will be invited to attend, to answer questions about the audit of the Company's 2020 Annual Financial Statements.

As permitted by the Corporations Act, a printed copy of the Company's 2020 Annual Report has been sent only to those shareholders who have elected to receive a printed copy. A copy of the 2020 Annual Report is available from the Company's website (<https://highgrademetals.com.au>) and the ASX announcements page of the Company (www2.asx.com.au, search code "HGM"). A copy of the 2020 Annual Report can also be obtained upon request to the Company by email to p.moffatt@northernstargroup.com.au.

There is no requirement for these reports to be formally approved by shareholders. No resolution is required to be moved in respect of this item.

Resolution 11: Non-binding Resolution - Remuneration Report

The Company is required pursuant to the Corporations Act 2001 (Cth) ("**the Corporations Act**"), to propose a non-binding resolution regarding the 2020 Remuneration Report, which forms part of the Director's Report in the 2020 Annual Financial Statements. The vote is advisory only and does not bind the Directors or the Company.

Shareholders attending the 2021 Annual General Meeting of the Company will have an opportunity to discuss and put questions in respect of the Remuneration Report.

The Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings (**AGM**) (treating this AGM as the first such meeting), shareholders will be required to vote at the second of those AGM's on a resolution (a **spill resolution**) that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must be put up for re-election. The vote on the Remuneration Report contained in the Company's 2019 Annual Financial Statements was passed with the support of more than 75% of votes thus a spill resolution will not be required in the event 25% or more of votes that are cast are against the adoption of the 2020 Remuneration Report. However, in the event that 25% or more of votes that are cast are against the adoption of the 2020 Remuneration Report, shareholders should be aware that if there is a 'no' vote of 25% or more for the same resolution at the next AGM the consequences are that it may result in the re-election of the Board.

Note that a voting exclusion applies to Resolution 11 in the terms set out in the Notice. In particular, Directors and other members of the key management personnel details of whose remuneration are included in the Remuneration Report or a closely related party of those persons must not vote on Resolution 11 and must not cast a vote as proxy, unless the proxy appointment gives a direction on how to vote provided however that the Chairman may vote undirected proxies on behalf of persons eligible to vote where expressly authorised to do so on the proxy form.

Resolution 12A: Re-election of Mr Adrien Wing as a Director

Article 12.3(a) of the Company's constitution (**Constitution**) provides that a director must not hold office without re-election for longer of 3 years or past the third annual general meeting after their appointment or election. Article 12.4 of the Constitution provides that a Director who retires is eligible for re-election.

Listing Rule 14.5 also requires that an entity which has directors must hold an election of Directors at each annual general meeting.

Noting the above, Mr Adrien Wing retires by rotation in accordance with the Constitution and, being eligible, seeks re-election as a Director.

Adrien is a certified practicing accountant. He has worked in audit and corporate advisory for a chartered accounting firm before moving to assist a number of public companies listed on the ASX as a corporate and account consultant and company secretary.

The Board (excluding Mr Adrien Wing who abstains from making a recommendation) recommend that Shareholders vote in favour of Resolution 12A. The Chairman intends to exercise all available proxies in favour of Resolution 12A.

Resolution 12B: Election of Mr Dennis Morton as a Director

Article 12.7 of the Constitution provides that the Directors may appoint any person as a Director. Article 12.8 provides that a Director appointed under Article 12.7 holds office until the next annual general meeting of the Company and is eligible for re-election at that meeting.

ASX Listing Rule further 14.4 provides that a Director appointed to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting of the entity.

Noting the above, Mr Dennis Morton, who was appointed as a Director on 7 July 2020 by the Board to fill a casual vacancy, retires as a Director and seeks election at the Meeting.

Mr Morton is a geologist with extensive experience in the management of oil and gas companies. He is currently the Managing Director of ASX listed company Gas2Grid Limited (2008-2021) with current and past assets in Australian, NZ, Philippines and France.

Mr Morton was a founder and CEO and Managing Director of ASX listed Eastern Star Gas Limited (2000-2007). The Company's assets included coal seam gas and conventional petroleum projects at Narrabri and elsewhere in NSW and also in Victoria.

Prior to his role at Eastern Star Gas, Mr Morton worked for companies including Eastern Energy Australia Pty Ltd, Hartogen Group of Companies and Esso / Exxon where his roles traversed technical and management capacities across most Australian oil and gas basins and Indonesia, the Philippines and Papua New Guinea.

Mr Morton holds a Bachelor of Arts - Geology with first class honours from the Macquarie University, Sydney.

The Board (excluding Mr Dennis Morton who abstains from making a recommendation) recommend that Shareholders vote in favour of Resolution 12B. The Chairman intends to exercise all available proxies in favour of Resolution 12B.

NOTE:

Unless otherwise specified, all monetary amounts are expressed in Australian dollars.

ANNEXURE A

INDEPENDENT EXPERT'S REPORT



HIGH GRADE METALS LIMITED

INDEPENDENT EXPERT'S REPORT

28 May 2021

PRIVATE AND CONFIDENTIAL





FINANCIAL SERVICES GUIDE

Dated: 28 May 2021

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (SA) Pty Ltd ('BDO Corporate Finance, we, us, our').

The 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: 259983
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide general advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us approximately \$50,000 plus GST for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, 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 general advice.

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

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance 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 general financial product advice in our report is provided by BDO Corporate Finance 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.

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. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 7, 420 King William Street, Sydney SA 5000, or by telephone or email, using the contact details at the top of this FSG.

When we receive a 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

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11839).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1800 931 678
Email: info@afca.org.au

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au.

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Appendix 1 Glossary and copyright notice

Appendix 2 Valuation methodologies

Appendix 3 Independent technical specialist valuation report prepared by VRM

Appendix 4 Independent technical specialist valuation report prepared by RISC

Appendix 5 Jade's audited consolidated financial statements as at 31 December 2020, and reviewed consolidated financial statements as at 30 June 2020

The Directors
High Grade Metals Limited
Level 2, 400 Collins Street
MELBOURNE VIC 3000

28 May 2021

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 7 July 2020, High Grade Metals Limited ('HGM' or 'the Company') announced that it had agreed to acquire 100% of the issued capital and rights to issued capital of Jade Gas Pty Ltd ('Jade') (and all relevant subsidiaries that own the rights to the coal bed methane projects in Mongolia) ('Jade Group') (the 'Proposed Transaction').

2. Summary and opinion

2.1 Purpose of the report

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

Our Report is prepared pursuant to ASX Listing Rule 10.1 and section 611 of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') and is to be included in the Notice of Meeting for HGM in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

Our report also addresses the requirements of section 208 of the Corporations Act and Listing Rule 10.11.

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 Proposed Transaction as outlined in the body of this report. We have considered:

- ▶ How the value of a HGM share prior to the Proposed Transaction on a control basis compares to the value of a HGM share following the Proposed Transaction on a minority basis;
- ▶ Whether a premium for control is being offered in relation to the issue of HGM shares and whether this is appropriate;
- ▶ Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- ▶ The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Proposed Transaction is not fair but reasonable to Shareholders.

In our opinion, the Proposed Transaction is not fair because the value of a HGM share following the Proposed Transaction on a minority basis is less than the value of a HGM share prior to the Proposed Transaction on a control basis.

However, we consider the Proposed Transaction to be reasonable because the advantages of the Proposed Transaction to Shareholders are greater than the disadvantages.

In particular:

- ▶ The exposure gained to Mongolian assets;
- ▶ Control of Mongolian assets; and
- ▶ Access to funds to advance exploration.

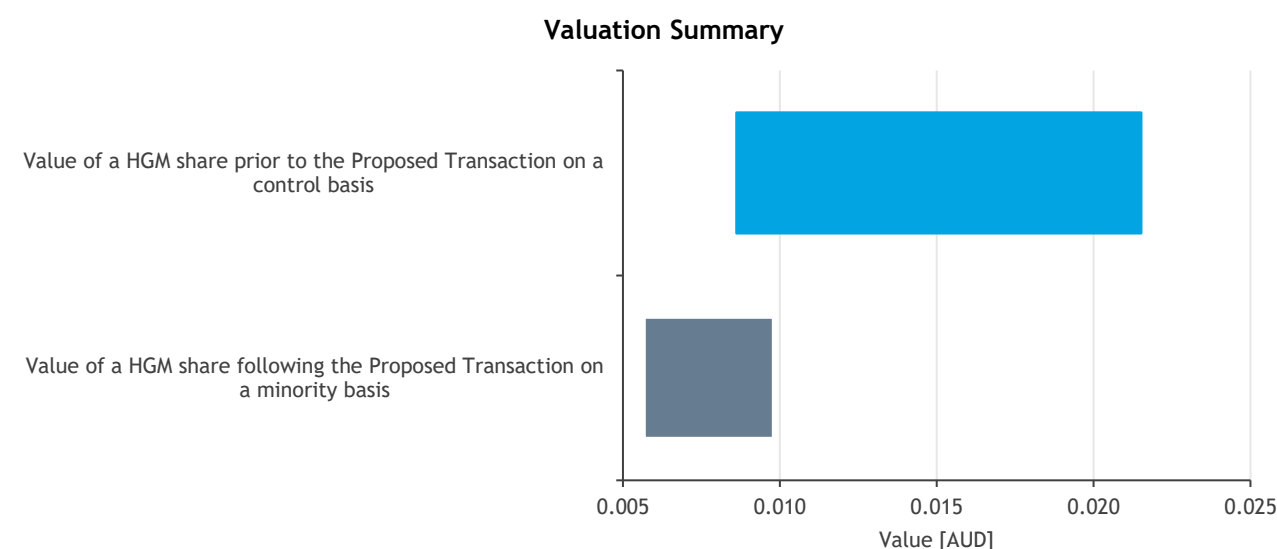
2.4 Fairness

In section 12 we determined that the value of a HGM share prior to the Proposed Transaction on a control basis compares to the value of HGM share following the Proposed Transaction on a minority interest basis, as detailed below.

	Reference	Low [AUD]	Preferred [AUD]	High [AUD]
Value of a HGM share prior to the Proposed Transaction on a control basis	10	0.0088	0.0153	0.0220
Value of HGM share following the Proposed Transaction on a minority interest basis	11	0.0057	0.0080	0.0098

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Proposed Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- ▶ Advantages and disadvantages of the Proposed Transaction; and
- ▶ Other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Proposed Transaction.

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

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	Reduced reliance on the success of the Austrian assets	13.5	The Proposed Transaction is not fair
13.4	Gain exposure to Mongolian assets	13.5	Dilution of existing shareholders' interest
13.4	Control of Mongolian assets	13.5	Restriction on resolutions
13.4	Access to funds to advance exploration		
13.4	Gain exposure to possible value accretion arising from director appointment		
13.4	Access to Mongolian Government and regulatory authorities		
13.4	A superior proposal has not been received		

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 Proposed Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rules

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset from certain persons, including related parties, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the latest published accounts. Based on the audited accounts as at 31 December 2019, the value of the consideration paid for assets is greater than 5% of the equity interest of HGM.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. Mr Anthony Hall, a director of HGM and shareholder of HGM through an associated entity, is also a shareholder of Jade through an associated entity and is therefore a related party for the purposes of Listing Rule 10.1.

Mr Joseph Burke and Mr Daniel Eddington are proposed to be appointed directors of HGM. Associated entities of each of the aforementioned proposed directors of HGM own shares in Jade and will therefore become related parties of the Company through the issue of HGM shares to Jade Shareholders under the Proposed Transaction. Mr Joseph Burke, Mr Daniel Eddington and their respective associated entities are, however, excluded from the application of Listing Rule 10.1 on the basis that they would not otherwise be related parties of the Company but for the Proposed Transaction (per ASX Listing Rule 10.3(g)).

Listing Rule 10.5.10 requires the Notice of Meeting for shareholders' approval under Listing Rule 10.1 to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent experts' report is required for the Proposed Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of HGM.

Corporations Act section 611 - Acquisition of substantial interests

Section 606 of the Corporations 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. If the Proposed Transaction is approved, Jade Shareholders will increase their interest in HGM from 5.57% to 70.49% on an undiluted basis.

In addition, Mr Joseph Burke (and associates) will increase his interest from 0% to 34.28% on an undiluted basis.

Section 611 of the Corporations Act ('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 HGM, by either:

- ▶ undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise, experience and resources; or
- ▶ By commissioning an Independent Expert's Report.

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

Corporations Act section 208 - Need for member approval for financial benefit

Section 208 prohibits the giving of a financial benefit to a related party of the company, without the approval of its shareholders. Mr Anthony Hall, a director of HGM, is a related party and a Jade shareholder through an associated entity.

Listing Rule 10.11 provides that a company must not issue shares to a related party without the approval of shareholders unless one of the exceptions in Listing Rule 10.12 applies. As the Company is getting approval under Section 611 it is not required to get approval under Listing Rule 10.11 (per Listing Rule 10.12 Exception 6).

We note that Corporations Act section 208 does not specifically require the directors to commission an independent expert's report but that the opinion provided in our Report addresses the issues relevant to HGM shareholders in assessing whether to approve the Proposed Transaction in relation to Corporations Act section 208.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed 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.

RG 111 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 used to effect it. RG 111 further 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 Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed 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 equal to or 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 it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

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

- ▶ A comparison between the value of a HGM share prior to the Proposed Transaction on a control basis and the value of a HGM share following the Proposed Transaction on a minority basis (fairness - see Section 12 'Is the Proposed Transaction Fair?'); and
- ▶ An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolutions relating to the Proposed Transaction, after reference to the value derived above (reasonableness - see Section 13 'Is the Proposed Transaction Reasonable?').

3.4 APES 225 'Valuation Services' compliance

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 Proposed Transaction

On 7 July 2020, HGM announced that it had entered a binding but conditional agreement to acquire 100% of the issued capital and rights to issued capital of Jade. Jade owns 100% of Jade Gas Mongolia LLC ('JGM') and 100% of Jade Methane LLC ('JM').

JGM holds a 66% interest in a joint venture with public company Mongolia Mining Corporation (HKSE:0975) ('MMC') to explore, develop and produce coal seam gas from within a coal mining licence held by joint venture partner Khangad Exploration LLC ('Khangad'), a wholly owned subsidiary of MMC, in the Baruun Naran deposit, located in Mongolia.

JM has a 60% interest in a joint venture with Erdenes Methane LLC ('Erdenes') to explore, develop and exploit coal bed methane from the Tavan Tolgoi region, one of the world's largest coal deposits, located in Mongolia.

The Company must complete a consolidation, where the issued capital of HGM will be consolidated on a 1:5 basis ('Share Consolidation').

The existing holders of the issued capital and rights to issued capital of Jade will be issued with 846,166,667 HGM shares ('Consideration Shares') and 68,000,000 HGM options ('Consideration Options') on a post-consolidation basis as consideration.

In addition, the transaction is subject to and conditional upon HGM completing a capital raise with the issue of 250,000,000 fully paid ordinary shares on a pre-consolidation basis at a price of \$0.03 per share to raise \$7.5 million before costs.

This issue of the Consideration Shares will result in existing Jade Shareholders increasing their interest in HGM over the 20% threshold, from the current level of approximately 5.6% to 70.5% on an undiluted basis. In addition, Mr Joseph Burke's (and associates) interest in HGM will be over the 20% threshold, at 34.3% on an undiluted basis.

On 14th May 2019 JM was incorporated and Jade acquired an 85% interest in it. On 14th May 2020 Jade acquired the remaining 15% from UB Methane LLC, a Mongolian corporation. The consideration for this was the obligation to issue 5,250,000 ordinary shares, 8,250,000 Class B shares and 8,250,000 Class C Performance Shares in Jade pursuant to a Share Sale Agreement dated 30 September 2019. That agreement was conditional upon the proposed ASX reverse takeover transaction and necessary consents and approvals, and the directors expect that although Jade has now acquired the 15% interest in JM, it will revert to UB Methane LLC if these conditions are not met.

Full details of the Proposed Transaction are set out in the Notice of Meeting.

5. Profile of HGM

5.1 Background

This section provides background on HGM, its projects, material corporate events, and historical financial information. In preparing our opinion we have relied upon this information and certain information included within the independent specialist valuation attached to this report.

High Grade Metals Limited engages in the exploration of minerals in Austria. It primarily explores for cobalt, nickel, copper, gold, and vanadium deposits. The company's principal assets comprise nine 100% owned cobalt and gold projects located in Austria. It holds cobalt projects in Gratlspitz, Leogang, Seekar, and Zinkwand concession areas covering an area of 85km²; and gold projects in Schellgaden North and South, Kreuzeck West, Kreuzeck East, and Goldeck-Sifflitz exploration areas covering a total area of 200km². HGM is based in Melbourne, Australia.

5.2 Projects

Gold Projects

Schellgaden North Gold Project

The Schellgaden North Project is within the upper Mur Valley, Salzburg, Austria. The project is located in one of the richest and most active gold mining districts of Austria. The project area is made up of 36 concessional circles covering 17.3 square kilometres.

Schellgaden South Gold Project

The Schellgaden South Project is within the state of Carinthia, Austria. While less explored than Schellgaden North, it is still considered to host many historic gold mines. The project area is made up of 121 concessional circles covering 57.6 square kilometres.

Goldeck-Sifflitz Gold Project

The Goldeck-Sifflitz Gold Project is located in the Drau River valley, two kilometres south of HGM's core storage facilities at Mollbrücke, Austria. The project area is made up of 57 concessional circles covering approximately 28 square kilometres.

Kreuzeck East Gold Project

The Kreuzeck East Gold Project is in the state of Carinthia, Austria and is made up of 42 concessional circles covering approximately 21 square kilometres. See Appendix 3 for full listing. The project includes two historic mining districts.

Kreuzeck West Gold Project

The Kreuzeck West Gold Project is in the Kreuzeck-Goldeck Mining District in the state of Carinthia, Austria. The project and is made up of 44 concessional circles covering approximately 24 square kilometres. See Appendix 3 for full listing.

Cobalt Projects

Leogang Project

The Leogang Project is in the Xell am See District within Salzburg, Austria, 3km west of the town of Leogang. The project areas is made up of 30 concessional circles covering approximately 12 square

kilometres surrounding the historical Nöckelberg Mine. Another licence areas occurs to the east of the town of Leogang consisting of 33 concessional areas covering 18.4 square kilometres.

Gratlspeitz Project

The Gratlspeitz Project is in the Kufstein District in the state of Tyrol. The project areas is made up of 118 concessional circles covering approximately 56 square kilometres.

Seekar Project

The Seekar Project is in the District of St Johann im Pongau, Salzburg. The project comprises four concessional circles covering approximately two square kilometres.

Zinkwand Project

The Zinkwand Project is situated on the boundary of the states of Salzburg and Styria, Austria. The projects area is made up of two concessional circles covering approximately one square kilometres. The Zinkwand area has historical cobalt workings on the northern and southern faces of the Zinkwand Mountain.

5.3 Historical Statements of Financial Position

Statement of Financial Position	As at 31-Dec-20 Audited	As at 30-Jun-20 Reviewed	As at 31-Dec-19 Audited	As at 30-Jun-19 Reviewed
Current assets				
Cash and cash equivalents	82,637	121,253	230,142	749,724
Trade and other receivables	29,022	47,873	49,485	66,131
Other assets	95,167	95,900	137,169	148,292
Assets held for sale	-	-	-	-
Investment in listed companies	-	-	172,500	172,500
Total current assets	206,826	265,026	589,296	1,136,647
Non-current assets				
Exploration and evaluation expenditure	-	-	-	4,500,321
Total non-current assets	-	-	-	4,500,321
Liabilities				
Trade and other payables	190,667	500,335	459,028	146,945
Total liabilities	190,667	500,335	459,028	146,945
Net assets	16,159	(235,309)	130,268	5,490,023
Equity				
Contributed equity	10,740,921	10,184,747	10,184,747	10,184,747
Reserves	118,598	113,379	109,043	128,092
Accumulated losses	(10,843,360)	(10,533,435)	(10,163,522)	(4,822,815)
Total equity	16,159	(235,309)	130,268	5,490,024

Source: HGM's audited financial report for years ended 31 December 2019 and 31 December 2020, and reviewed financial statements for the half-years ended 30 June 2019 and 30 June 2020.

Commentary on Historical Consolidated Statement of Financial Position

The audit report for HGM's Annual Report for the year ended 31 December 2019 and 31 December 2020 include a material uncertainty related to going concern.

The most significant change was from June 2019 to December 2019 when the impairment of the exploration and evaluation expenditure incurred in respect of the Austrian Assets. Due to the uncertainty surrounding recoupment of expenditure from the existing Austrian asset package, through successful development and exploitation of the area, or by its sale, HGM has assessed the carrying amount of the exploration and evaluation expenditure to be nil and has impaired \$4,689,565 as at 31 December 2019.

5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Year ended 31-Dec-20 Audited	6 months ended 30-Jun-20 Reviewed	Year ended 31-Dec-19 Audited	6 months ended 30-Jun-19 Reviewed
Other income	25,543	25,186	391,888	386,246
Corporate expenses	(542,404)	(331,685)	(1,161,181)	(627,452)
Impairment	-	-	(4,689,565)	-
Administrative expenses	(91,229)	(58,876)	(108,269)	(59,006)
ASX listing fees and reverse takeover costs	-	-	-	-
Austria Expenses	-	(78,329)	-	-
Project costs expensed	(145,538)	-	-	-
Loss before income tax expense	(753,628)	(443,704)	(5,567,127)	(300,213)
Income tax expense	73,791	73,791	(73,791)	-
Other comprehensive income	(6,215)	(3,506)	(9,780)	15,885
Total comprehensive loss for the period	(686,052)	(373,419)	(5,650,698)	(284,328)

Source: HGM's audited financial report for years ended 31 December 2019 and 31 December 2020, and reviewed financial statements for the half-years ended 30 June 2019 and 30 June 2020.

Commentary on Historical Statement of Comprehensive Income

The impairment expense shown on the Statement of Comprehensive Income for the year ended 31 December 2019 was a result of HGM's assessment of the carrying amount of the exploration and evaluation expenditure to be nil as at 31 December 2019.

5.5 Capital structure

The share structure of HGM as at 30 April 2021 is outlined below:

	Number
Total Ordinary Shares on issue	566,172,490
Top 20 Shareholders	243,094,251
Top 20 Shareholders - % of shares on issue	42.9%

Source: HGM Share Registry

The range of shares held in HGM as at 30 April 2021 is as follows:

Range of shares held	No. of ordinary shareholders	No. of Ordinary Shares	% Issued shares
1 - 1,000	139	19,196	0.003%
1,001 - 5,000	19	45,590	0.008%
5,001 - 10,000	21	199,326	0.035%
10,001 - 100,000	233	11,550,473	2.040%
100,001 and over	389	554,357,905	97.913%
Total	801	566,172,490	100.000%

Source: HGM Share Registry

The ordinary shares held by the most significant shareholders as at 30 April 2021 are detailed below:

Name	No. of Ordinary Shares	Percentage of Issued shares
E&E Hall Pty Ltd	25,166,667	4.4%
Eurocan Mining Anstalt	25,000,000	4.4%
Total Top 2	50,166,667	8.9%
Others	516,005,823	91.1%
Total Ordinary Shares on issue	566,172,490	100.0%

Source: HGM Share Registry

The most significant option holders of HGM as at 28 January 2021 are outlined below:

Name	No. of options	Percentage of Issued options
Anthony Hall	10,000,000	28.6%
Bradley Drabsch	10,000,000	28.6%
Adrien Wing	5,000,000	14.3%
Simon Francis	5,000,000	14.3%
Steven Formica	5,000,000	14.3%
Total options on issue	35,000,000	100.0%

Source: HGM Share Registry

The options and performance shares on issue as at 28 January 2021 are outlined below:

Options and performance shares	Number	Expiry date	Exercise price [AUD]	Fair value [AUD]	Cash raised if exercised [AUD]
Class A Performance Shares	120,000,000	25/02/2023		0.00	0
Class B Performance Shares	120,000,000	25/02/2023		0.00	0
Unlisted options	35,000,000	30/06/2022	0.03		1,050,000
Total	275,000,000				1,050,000

Source: HGM's audited financial report year ended 31 December 2020

The Class A Performance Shares and Class B Performance Shares were issued on 26 February 2018 as part of the consideration for the acquisition of 100% of APC.

The Class A Performance Shares convert into Ordinary Shares on a 1:1 ratio upon the delineation of a JORC-compliant of at least inferred category of a minimum of 500,000 ounces of gold or gold equivalent at an average grade of at least 8 grams per tonne.

The Class B Performance Shares convert into Ordinary shares on a 1:1 ratio upon completion of a positive scoping study in relation to any one or more Australian Cobalt project by an independent third-party expert which evidences an internal rate of return greater than 20%, provided that the total cumulative EBITDA over the life of the relevant Australian Cobalt project is over \$US50,000,000 and provided the scoping study is released as an ASX announcement and is not required by ASX or ASIC to be retracted within one month of its release.

The Company's focus has shifted away from the existing Austrian asset package and accordingly it is unlikely the milestones required to be reached for both the Class A Performance Shares and Class B Performance Shares will be met. Consequently, the fair value of Performance Shares is nil.

The Unlisted Options were issued to directors.

6. Profile of Jade Group

6.1 Background

This section provides background on Jade, its projects, material corporate events, and historical financial information. In preparing our opinion we have relied upon this information and certain information included within the independent specialist valuation attached to this report.

Jade is a newly formed Australian private company, incorporated on 7 February 2019, established to explore for and develop gas resources within Mongolia.

On 14 May 2019 Jade Methane LLC (JM) was incorporated and Jade Gas Pty Ltd acquired an 85% interest in it. On 14 May 2020 Jade acquired the remaining 15% from UB Methane LLC, a Mongolian corporation. The consideration for this was the obligation to issue 5,250,000 ordinary shares, 8,250,000 Class B shares and 8,250,000 Class C Performance Shares in Jade Gas Pty Ltd pursuant to a Share Sale Agreement dated 30 September 2019. That agreement was conditional upon the proposed ASX reverse takeover transaction and necessary consents and approvals, and the directors expect that although Jade has now acquired the 15% interest in JM, it will revert to UB Methane LLC if these conditions are not met. For the purposes of our Report we have assumed this will be settled as part of the Proposed Transaction, UB Methane LLC is issued 87,000,000 ordinary shares in HGM, and that Jade controls 100% of JM.

JM owns 60% of Methane Gas Resource LLC ('MGR'), a joint venture company which has been established to undertake the work in Mongolia on the flagship project, Tavan Tolgoi CBM ('TT CBM Project'). The remaining 40% of MGR is owned by Erdenes.

Erdenes is a 100% owned subsidiary of Erdenes Mongol LLC, the state owned enterprise that is the manager of Mongolia's natural resource projects. Erdenes holds a production sharing agreement with the Mineral Resources Authority of Mongolia ('MRPAM') over the area of the TT CBM Project, which is to be transferred to MGR.

The second joint venture agreement is with Khangad for the Baraan Naran project ('BN Project'). Jade, through its 100% owned subsidiary JGM, holds a 66% interest in the joint venture with Khangad under which Jade must solely fund the project to the completion of a Definitive Feasibility Study.

Jade has raised initial seed funding which has allowed them to establish and staff an office in Ulaanbaatar, Mongolia, and provided for progress on early analytical and planning work.

6.2 Projects

Jade Group's key asset is a 60% interest in the rights to explore and exploit coal seam gas in the Tavan Tolgoi area in Mongolia. The Tavan Tolgoi area is located in the South Gobi Basin region of Mongolia, approximately 200km from the border with China.

Tavan Tolgoi Project (TT CBM Project)

JM holds a 60% interest in a joint venture which holds rights to a production sharing agreement to explore and exploit coal seam gas in the Tavan Tolgoi area. The Tavan Tolgoi coal deposit is presently regarded as one of the world's largest coal deposits. The presence of known coal deposits in the area make TT CBM Project one of the lowest risk coal seam gas exploration target areas in the South Gobi Basin.

Baraan Naran Project (BN Project)

JGM has a 66% interest in a joint venture with Khangad for area covered by a coal mining licence held by Khangad. The BN Project area is located to the west of TT CBM Project and is directly adjacent.

6.3 Historical Consolidated Statement of Financial Position

	As at 31-Dec-20	As at 30-Jun-20
[AUD]	Audited	Reviewed
Current assets		
Cash and cash equivalents	162,140	564,759
Trade and other receivables	424	61,166
Inventories	198	1,990
Prepayments	7,018	8,030
Total current assets	169,780	635,945
Non-current assets		
Property, plant and equipment	357,268	436,765
Right-of-use asset	19,833	50,270
Exploration and evaluation expenditure	1,611,976	1,614,665
Intangible assets	1,140	1,041
Deferred tax assets	-	919
Total non-current assets	1,990,217	2,103,660
Liabilities		
Trade and other payables	162,655	251,603
Lease liabilities	19,144	45,271
Borrowings	70,000	300,000
Total liabilities	251,799	596,874
Net assets	1,908,199	2,142,731
Equity		
Share capital	822,558	822,508
Unissued share capital	2,610,000	2,610,000
Convertible note	820,000	416,000
Foreign exchange reserve	(260,735)	56,267
Other reserves	(571,202)	(571,202)
Retained profits	(1,559,224)	(1,237,790)
Equity attributable to the owners of Jade Gas Pty Ltd	1,861,397	2,095,783
Non-controlling interest	46,802	46,948
Total equity	1,908,199	2,142,731

Source: Jade's audited consolidated financial statements as at 31 December 2020, and reviewed consolidated financial statements as at 30 June 2020

Jade's audited consolidated financial statements as at 31 December 2020, and reviewed consolidated financial statements as at 30 June 2020 are included in Appendix 5.

Commentary on Historical Statement of Financial Position

Exploration and evaluation assets includes the expenditure incurred on the TT CMB Project held in joint venture company MGR.

Unissued share capital represents the share capital to be issued to UB Methane LLC as consideration for acquisition of the remaining 15% of JM.

6.4 Capital Structure

Jade is a privately-owned company. The share structure of Jade as at 31 December 2020 is outlined below:

Class	Number
Total Ordinary Shares on issue	176,250,000

Source: Jade's audited consolidated financial statements as at 31 December 2020

Jade made the following changes to its share structure after 31 December 2020:

- ▶ Issued 2,500,000 Ordinary Shares on 28 February 2021
- ▶ Issued 2,500,000 Ordinary Shares on 7 April 2021.

The share structure of Jade as at 21 April 2021 is outlined below:

	Number
Total Ordinary Shares on issue	181,250,000
Top 20 Shareholders	175,099,000
Top 20 Shareholders - % of shares on issue	96.6%

Source: ASIC Company Extract 21 April 2021

The ordinary shares held by the most significant shareholders as at 21 April 2021 are detailed below:

Name	No. of Ordinary Shares Held	Percentage of Issued Shares
GM Ventures & Investments Pty Ltd (associate of Mr Joseph Burke)	83,560,000	46.1%
Scor go Luath Ltd (associate of Mr Joseph Burke)	20,083,666	11.1%
Daniel & Julie Eddington	11,881,667	6.6%
JAWAF Enterprises Pty Ltd (associate of Mr Anthony Hall)	11,234,584	6.2%
E & E Hall Pty Ltd	11,150,000	6.7%
Total Top 5	138,909,917	76.6%
Others	42,340,083	23.4%
Total Ordinary Shares on issue	181,250,000	100%

Source: ASIC Company Extract 29 April 2021

Jade has issued the following securities which are not ordinary shares:

	[AUD]
Convertible notes issued at 31 December 2020	820,000

Source: Jade's audited consolidated financial statements as at 31 December 2020

On 14 May 2019 Jade Methane LLC (JM) was incorporated and Jade Gas Pty Ltd acquired an 85% interest in it. On 14 May 2020 Jade acquired the remaining 15% from UB Methane LLC, a Mongolian corporation. The consideration for this was the obligation to issue 5,250,000 ordinary shares, 8,250,000 Class B shares and 8,250,000 Class C Performance Shares in Jade Gas Pty Ltd pursuant to a Share Sale Agreement dated 30 September 2019. That agreement was conditional upon the proposed ASX reverse takeover transaction and necessary consents and approvals, and the directors expect that although Jade has now acquired the 15% interest in JM, it will revert to UB Methane LLC if these conditions are not met. For the purposes of our Report we have assumed this will be settled as part of the Proposed Transaction, UB Methane LLC is issued 87,000,000 ordinary shares in HGM, and that Jade controls 100% of JM.

7. Economic analysis

7.1 Global overview

The global economy saw strong recovery in the September quarter after a strong rebound in global activity, but lost some momentum due to a resurgence of COVID-19 infections and a tightening of activity restrictions in some economies. In China and other economies where infection rates remain low, economic activity has rebounded to pre-pandemic levels. The approval of numerous vaccines raises the prospect of a more rapid movement in health outcomes, but it will take some time for the vaccines to be rolled out across the population.

GDP outcomes for the December quarter have been stronger than expected in many economies. Global trade and production have continued to recover due to resilience in goods demand. Remote working trends have driven strong demand for electronics, boosting exports from China and other East Asian economies. After a sharp contraction in early 2020, the Chinese economy has largely recovered, growing by 6.5 percent in 2020, and activity levels are well above pre-pandemic levels in most parts of the economy. The ongoing recovery in industrial production in China and other parts of Asia has supported the price of commodities such as iron ore and coal.

Due to significant spare capacity across advanced economies, inflation is expected to be kept low. Labour markets have suffered in particular, with government support programs supporting the retention of workers and keeping businesses afloat. Inflation is expected to slowly pick up towards central bank targets as the global recovery gains traction and the spare capacity in labour markets is eventually absorbed.

7.2 Australia

The Australian economy is performing well in terms of recovery. Employment has recovered faster than expected, with the unemployment rate at 6.6 percent in December, down from its peak of 7.5 percent in July 2020. Government policy measures have continued to support business cash flow and balance sheet positions. Household consumption and retail spending recovered strongly over the second half of 2020 in response to the decline in infections and the easing of restrictions across the country. The Australian economy rebounded by 3 percent in the September quarter, following a 7 percent contraction in the June quarter.

The substantial, coordinated and unprecedented easing of fiscal and monetary policy in Australia is helping the economy through this difficult period. It is likely that fiscal and monetary support will be required for some time.

Commodity prices

Commodity prices are mostly higher than the start of the year as global trade in goods has picked up strongly.

The iron ore price has been growing over the recent months, despite the outbreak of COVID-19 as Chinese demand for imported iron ore has remained fairly strong. Despite the price easing in January, it remains around its highest level since 2013.

Coal prices declined substantially over 2020, largely driven by lower demand, especially for coking coal, outside China. Some steel producers, including India, which accounts for 15 per cent of global coking coal imports, have scaled back production as part of domestic containment measures. Prices have started to recover during the first few months of 2021.

Base metal prices have recovered since March and are now higher than at the start of the year.

Financial markets

Conditions in financial markets have improved. Volatility has declined and there have been large raisings of both debt and equity. The prices of many assets have risen substantially despite the high level of uncertainty about the economic outlook. Bond yields remain at historically low levels.

Interest rates

The RBA will be monitoring trends in housing borrowing carefully as it is important that lending standards are maintained due to rising housing prices and low interest rates.

The RBA will be holding the cash rate at 10 basis points until actual inflation is sustainably within the target range of 2 to 3 percent. Inflation is forecast to be 1.5 percent in 2021 and 2 percent in mid-2023.

Australian dollar

In early March 2020, the broad-based deterioration in foreign exchange market functioning extended to the market for Australian dollars. The Australian dollar depreciated sharply, reaching its lowest level since the early 2000s. Although the Australian dollar has been fluctuating, it currently remains in the upper end of the range of recent years.

Source: www.rba.gov.au Statement on Monetary Policy, February 2021

7.3 Mongolia

Economic performance of Mongolia

According to the Asian Development Bank ('ADB'), the following are the highlights of the economic performance of Mongolia during 2020:

- ▶ Gross domestic product ('GDP') growth declined to 5.1% in 2019 from 7.2% during 2018 following a decline in the mining sector as the output of gold, copper, zinc and fluorspar fell. GDP contracted by 9.7% in the first half of 2020 mainly due to decreased exports due to COVID-19;
- ▶ Gross international reserves fell to provide cover for only 5.2 months of imports as net inflows of Foreign direct investment ('FDI') declined;
- ▶ Average annual inflation fell further below the 8% target set by the central bank, down from 7.1% in H1 2019 to 6.1%.
- ▶ The Mongolian togrog depreciated against the US dollar, reaching 4.3% in the first 8 months despite the central bank intervening.
- ▶ The budget recorded a deficit equal to 11.5% of GDP in H1 2020 as revenue fell by 21.4%;
- ▶ Budgetary expenditure increased by 37.0%, mainly in response to COVID-19;
- ▶ Bank credit contracted by 4.1% year on year, while nonperforming loans and loans past due rose to 14.6% of the total, indicating asset quality deterioration.

Economic prospects of Mongolia

According to ADB, the following are the highlights of the economic prospects of Mongolia:

- ▶ GDP growth is expected to recover in 2021 above 2.1% 2021 as mining and investment pick up as COVID-19 concerns fade;
- ▶ Significant rebounding in prices of copper and gold in July and August implies that exports and mining output will pick up in the second half of the year;

- ▶ The agricultural sector is expected to make a strong contribution to GDP due to increased output resulting from favourable weather conditions;
- ▶ Inflation is forecast at 5.6% which is lower than earlier forecasts due to weak demand;
- ▶ A full year deficit of 9.9% is expected to reverse a 2019 surplus equal to 1.4% of GDP, raising concerns for macroeconomic stability.

The ADB has highlighted that deeper and more prolonged effects of the COVID-19 pandemic will place additional downward pressure on the Mongolian economy resulting in lower than forecast GDP growth, increased unemployment, potentially unstable finances, and inconsistent macroeconomic policy deepening pressure on the balance of payments.

Source: www.adb.org Asian Development Outlook 2020

8. Industry analysis

This section sets out a summary of the global gold, nickel, copper, cobalt, and natural gas industries. The information presented in this section has been compiled from a range of publicly available sources. This summary is not intended to be a comprehensive analysis of these industries.

We recommend that HGM shareholders refer to the original source of information referred to in this section, and any other information they believe appropriate, for a more comprehensive analysis. This section should be referred to as a broad guide only.

8.1 Gold industry

Gold is a soft malleable metal which is highly desirable due to its rarity, permanence and unique mineral properties. Gold has been used in jewellery and as a form of currency for thousands of years, however more recently, there has been increasing demand for its use in the manufacture of electronics, dentistry, medicine and aerospace technology.

In addition to its practical applications, gold also serves as an international store of monetary value. Gold is widely regarded as a monetary asset as it is considered less volatile than world currencies and therefore provides a safe haven investment during periods of economic uncertainty.

Once mined, gold continues to exist indefinitely and is often melted down and recycled to produce alternative or replacement products. Consequently, demand for gold is supported by both gold ore mining and gold recycling. A summary of the recent historical supply of gold is provided in the table below:

Gold supply (tonnes)	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mine production	2,940	3,128	3,242	3,336	3,459	3,492	3,554	3,532	3,401
Net producer hedging	(45)	(28)	105	13	38	(26)	(12)	6	(65)
Recycled gold	1,648	1,215	1,149	1,086	1,249	1,128	1,147	1,282	1,297
Total supply	4,542	4,314	4,496	4,435	4,746	4,594	4,689	4,820	4,633

Source: World Gold Council Full Year 2020 Statistics, 28 January 2021

Historically, the price of gold is negatively correlated to the prices of other asset classes during times of uncertainty and financial crises. Growing uncertainty on the back of the recent coronavirus outbreak has caused the price of gold to rally, as investors demand the high liquidity that gold provides. The recent increase in the price of gold has positively impacted the gold industry, and will continue to do so if economic uncertainty prevails.

The World Gold Council expects that the interplay between financial uncertainty, lower interest rates, weakening global economic growth and gold price volatility will continue to drive gold demand in the near term.

The gold ore mining industry has performed steadily in recent years, with growth driven by price increases and slow economic growth. However, gold mine production in 2019 was 1.3% lower than in 2018, the first annual decline in production since 2008. This decline can be mainly attributed to China's fall in mine output by 6% due to strict environmental restrictions that have come into force in recent years.

Key external drivers

Global gold prices have a significant impact on the revenue generated by industry operators. When gold prices are low, gold miners are less likely to commit to projects with lower gold grades and higher production costs. Ultimately, a decline in gold prices reduces the viability of new and existing projects, which hinders industry growth.

The global gold price is denominated in US dollars and therefore, the exchange rate directly affects the returns received by local industry operators. A weaker Australian Dollar benefits the domestic industry by reducing prices in export markets and pushing up domestic prices, likely resulting in higher volumes.

Global demand for gold is also inversely related to global economic performance. As gold is regarded as a store of value and is particularly sought after during periods of economic uncertainty, demand follows a counter cyclical pattern. Strong global GDP growth can therefore have a negative impact on gold demand and the industry. The recent rally in gold prices, which saw it reach a historical high during early August 2020, is a reflection of ongoing easing of global monetary policies, continued geopolitical uncertainty, and the outbreak of COVID-19.

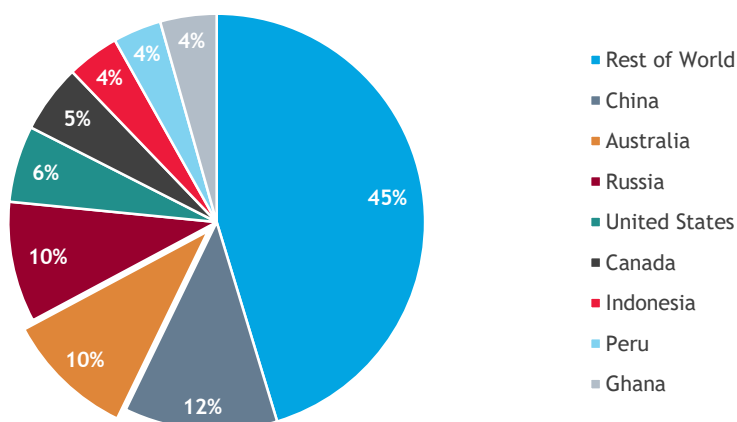
Gold ore mining trends

Gold ore mining is a capital intensive and high cost process, which is becoming increasingly difficult and more expensive as the quality of ore reserves diminishes. The industry also incurs many indirect costs related to exploration, royalties, overheads, marketing and native title law. Typically, many of these costs are fixed in the short term as a result of industry operators' inability to significantly alter cost structures once a mine commences production.

Until the late 1980s, South Africa produced approximately half of the total gold ore mined globally. More recently however, the industry has diversified geographically and China and Australia now dominate global gold production. According to the United States Geological Survey ('USGS'), total estimated global gold ore mined for 2019 was approximately 3,287 metric tonnes. The chart below illustrates the estimated global gold production by country for 2019.

Global gold production is estimated to be 3% less than that in 2019 following the effects of COVID-19. The virus led to a number of gold mine closures across the world due to lockdown restrictions imposed by individual countries across the March 2020 quarter. Notably, the production from the world's largest gold producers, including Newmont Corporation, Barrick Gold Corporation, AngloGold Ashanti Limited and Newcrest Mining Limited, more than halved in the June 2020 quarter to 1.4 million ounces, down from 2.9 million ounces in the June 2019 quarter.

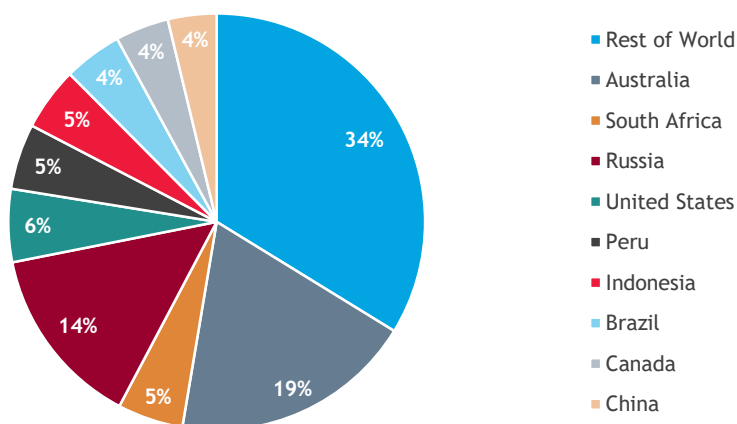
Gold Production by Country (2020)



Source: U.S. Geological Survey

Despite China leading global gold production in 2020, Australia, United States and Russia hold the largest known gold reserves globally. As depicted below, the USGS estimates that collectively these three countries account for approximately 39% of global gold reserves.

Gold Reserves by Country (2020)



Source: U.S. Geological Survey

According to the 2020 USGS, Australia's gold reserves amount to 10,000 tonnes, representing 19% of global reserves and the largest percentage held by any one country. IBIS World estimates domestic industry revenue will grow by an annualised 0.5% over the five year period through to 2025-26, reaching approximately \$25.0 billion. However, rising production costs due to lower ore quality and higher transportation costs are anticipated to reduce industry profitability over the period.

Gold prices

The gold spot price since 2010 and forecast prices through to 2030 are depicted in the graph below.



Source: Bloomberg and Consensus Economics

The price of gold reached US\$1,900/oz. on 5 September 2011, largely due to the debt market crisis in Europe and the Standard and Poor's downgrade of the US credit rating. Global stock markets subsequently went into turmoil, which saw investors opt for the stability offered by gold.

The price of gold fluctuated around US\$1,700/oz. during 2012 before entering a steep decline in 2013. The downturn represented the beginning of a correction in the price of gold, which had almost tripled in the two-year period prior to the European crisis in 2011. Improved market sentiment and increased risk appetite from investors saw gold prices continue to decline throughout 2014 and 2015 to US\$1,051/oz in December 2015.

During 2016, gold prices strengthened, likely as a result of heightened uncertainty surrounding the US Presidential election and the United Kingdom's exit from the European Union. The price of gold reached US\$1,363/oz in late 2016 before stabilising around US\$1,200 to US\$1,300/oz throughout 2017.

The gold price fluctuated throughout 2018. In January 2018, the gold price strengthened, rising to approximately US\$1,360/oz, spurred on by a weak US dollar. From April 2018 through to August 2018, the price of gold trended downwards. Prices remained flat through August and September of 2018, before increasing in October and November of 2018.

The price of gold declined to US\$1,270/oz in May 2019, before rallying past US\$1,500/oz to reach a six year high. Demand for gold was primarily driven by investors looking to avoid US-China trade war uncertainties, while civil unrest in Hong Kong prompted investors to abandon riskier asset classes for safe haven assets. The gold price continued to remain around US\$1,500/oz throughout October 2019, although it dipped slightly to US\$1,465/oz in mid-November 2019.

Gold prices have fluctuated significantly throughout 2020 to date. Demand for gold increased in response to the uncertainty created by the global spread of COVID-19, as investors prioritised safe haven assets. In late March 2020, the increasing demand for gold was interrupted by a panic selloff as investors began to realise their profits amidst the growing uncertainty caused by the crisis. Gold spot prices fell to a yearly low of US\$1,471/oz, before rallying. Throughout May and June 2020, prices remained elevated around US\$1,700/oz.

Through early July 2020, gold prices steadily increased to above the US\$1,800/oz level, before spiking in late July and early August to exceed US\$2,000/oz. The COVID-19 crisis remains the primary driver of the gold price, as central banks continue to inject trillions of dollars into financial markets and investors further prioritise safe haven assets. Additionally, the availability of cheap money through low global interest rates is further spurring investment in gold. Gold prices reached a record high of approximately US\$2,064/oz on 6 August 2020, before declining to an average of US\$1,788/oz through January to mid-April 2021.

According to Consensus Economics forecasts, the price of gold will decline over the medium term but still remains high in comparison to historical levels. This medium term decline is likely on the back of developments in relation to a COVID-19 vaccination as well as stability in the United States following the presidential election of Joe Biden. Future price movements are expected to depend on the duration and severity of the crisis, and its impact on government policies globally.

Source: Bloomberg and Consensus Economics

8.2 Nickel industry

Nickel is primarily sold for use as a refined metal in the form of cathode, powder, or briquette. It is also sold as a ferronickel, and approximately 65% of nickel consumed in the developed world is used to make stainless steel and other non-ferrous alloys. It is widely regarded for its corrosion resistance and is commonly used in super-alloys for fabrication of critical engine components and for other performance products and industries. Other uses include rechargeable batteries, catalysts, plating and foundry products.

Key external drivers

The price of nickel is generally denominated in US dollars and is a key driver of industry revenue. The balance between the demand and supply of nickel greatly influences the US dollar nickel price. Higher prices can drive revenue growth and provides the industry with the opportunity to expand.

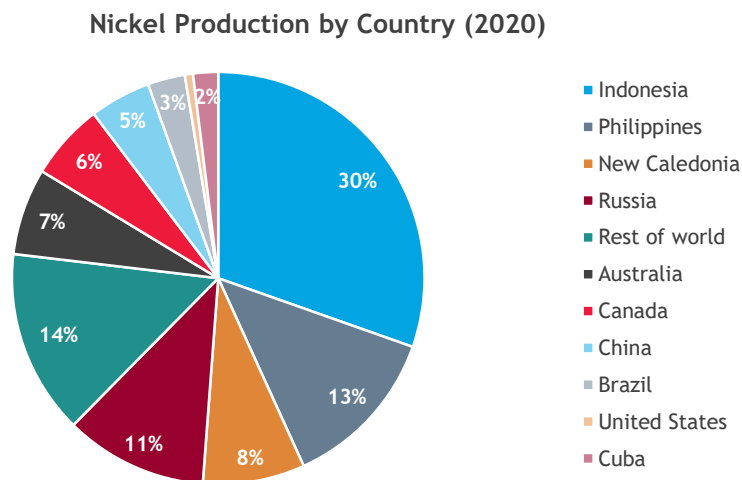
The global nickel price is denominated in US dollars and therefore, the exchange rate directly affects the returns received by local industry operators. A weaker Australian Dollar benefits the domestic industry by reducing prices in export markets and pushing up demand from overseas markets.

The global price of steel can also impact industry performance with 65% of nickel consumption used in stainless steel production. Higher world pricing and demand for steel can therefore have a positive effect on the nickel industry.

Nickel ore mining trends

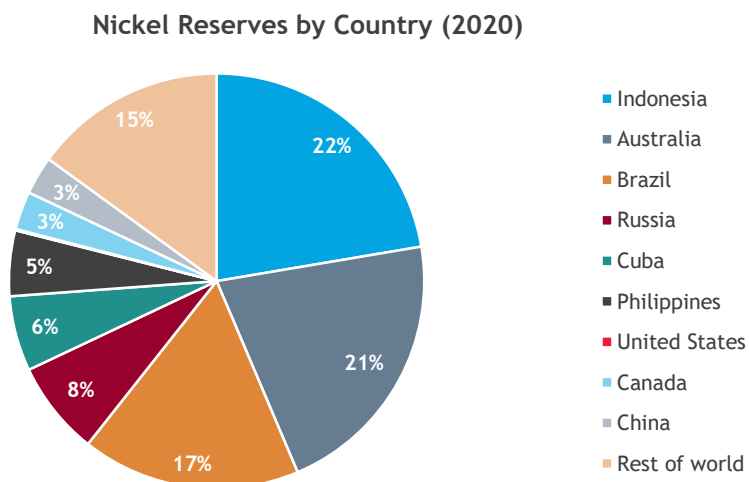
In 2020, the majority of the world's nickel was produced in Indonesia (30%), the Philippines (13%), and Russia (11%). Indonesia is the world's largest nickel producer, with an estimated 760,000 tonnes mined throughout 2020. While overall production has increased in response to higher prices, in recent years production of refined nickel has decreased as the lower relative cost of nickel pig iron has attracted demand from steel producers. Another key production trend has been the increasing volume of nickel sulphate sold, buoyed by increasing demand for batteries used in electric vehicles and energy storage.

The figure below illustrates estimated production output for 2020 by country:



Source: U.S. Geological Survey

A figure illustrating the world's nickel reserves by country is illustrated below:



Source: U.S. Geological Survey

COVID-19 has had a direct impact on the nickel mining operations globally and within Australia. Global production in 2020 declined by approximately 4%, with mining operations in large producing countries such as Indonesia and Philippines experiencing disruptions from the pandemic. Furthermore, Indonesia brought forward its ban on exports from 2022 to 2020, which is expected to contribute further to the decline in production.

A positive for the industry is that there is expected to be some price relief in operating costs due to the falling price of oil. Further, given that nickel prices are predominated in US Dollars, the weakening Australian Dollar against the US Dollar will positively affect Australian nickel producers.

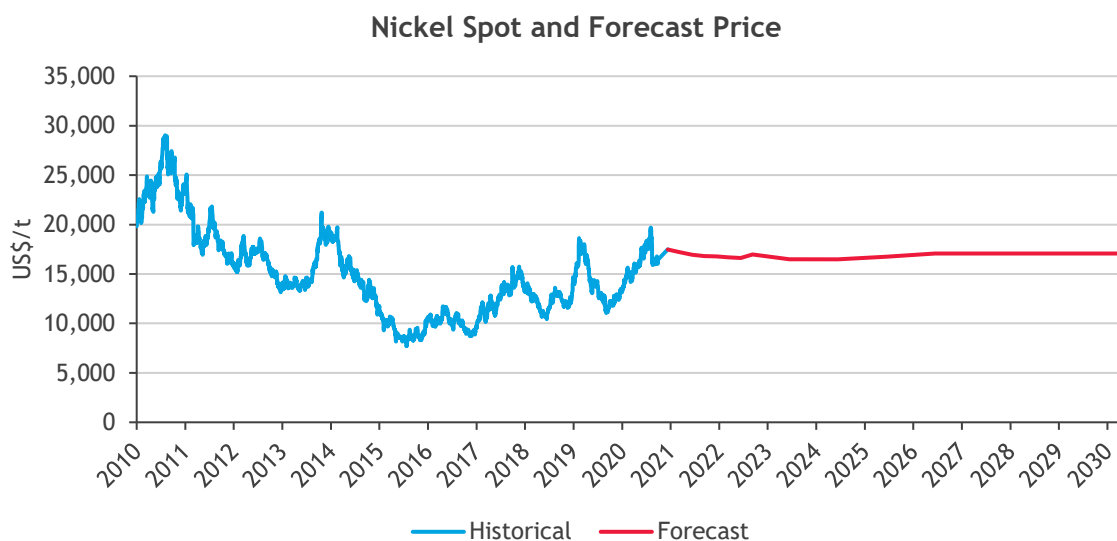
Nickel prices

In the aftermath of the global financial crisis, the nickel price fell alongside most other base metals and commodities. The nickel price recovered over 2010 and 2011, reaching a high of US\$29,281 per tonne in February 2011 but has never retraced its pre-crisis highs.

The nickel price steadily trended downwards between 2011 and 2017 with the exception of a significant price spike in mid-2014 resulting from an Indonesian government ban on nickel exports. Indonesia is the world's largest nickel producer, and while the price impact of the ban was short-lived, renewed concerns have begun to push up the nickel price in recent months as speculators and buyers anticipate future supply shortages.

Nickel prices fell sharply in early 2020, reaching lows of approximately US\$11,000 per tonne in March 2020. This was driven by the contraction in demand from global markets resulting from COVID-19. However, recent increases in Chinese consumption, expectations of stimulus spending and concerns about production shortages have contributed to the recovery of prices in the second half of 2020.

The average nickel price from March 2020 through March 2021 was US\$14,750 per tonne, ranging from a low of US\$11,055 per tonne on 23 March 2020 to a high of US\$19,689 per tonne on 22 February 2021. Consensus Economics forecasts a medium term (2022-2025) average price of US\$16,724 per tonne, with a long range forecast of US\$17,071 per tonne in 2030.



Source: Bloomberg and Consensus Economics

8.3 Copper industry

Copper is a soft, malleable, ductile metal used primarily for its electrical and thermal conductive properties and its resistance to corrosion. It is highly versatile and has a variety of applications in construction, electrical and electronic components, communications and transportation.

Copper occurs naturally in the Earth's crust in a variety of forms such as sulphide deposits, carbonate deposits and silicate deposits. Open pit mining is widely utilised in most copper producing countries although in Australia, approximately 93% of output is extracted through underground mining. Copper is

often found in conjunction with gold, lead, cobalt or zinc, and a number of industry operators mine these metals and ores as well.

Copper concentrate is derived from an oxide through beneficiation processes and is then converted to copper products through smelting and refining. Copper is also 100% recyclable and approximately 80% of the copper ever produced is still in use today.

Key external drivers

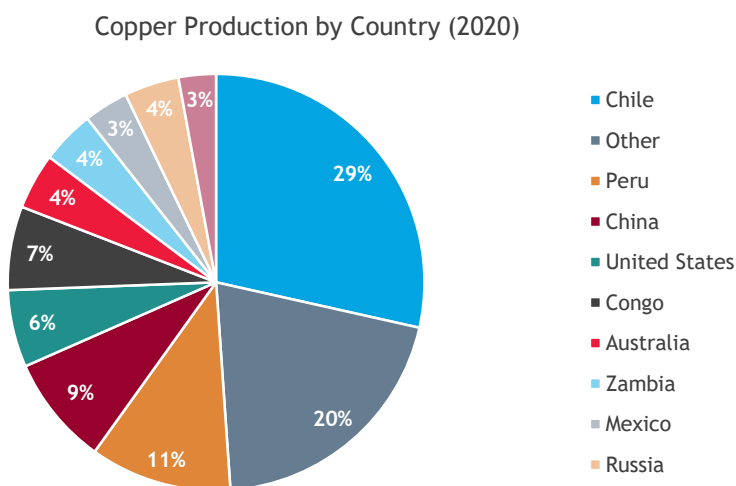
The global price of copper is a key driver of industry revenue. China accounts for a large proportion of global copper demand and hence has a significant influence on world copper prices.

The global copper price is denominated in US dollars and therefore, the exchange rate directly affects the returns received by local industry operators. A weaker Australian Dollar benefits the domestic industry by reducing prices in export markets and pushing up demand from overseas markets.

Copper is used extensively in construction, electricity transmission, communications and wire manufacturing. Therefore, the performance of these industries can also significantly impact industry revenue.

Copper ore mining trends

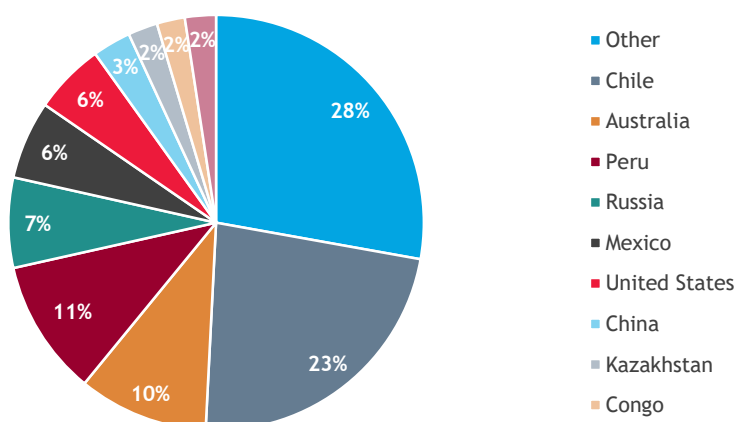
According to the USGS, total global copper production in 2020 was estimated at approximately 20 million tonnes, with the majority of globally produced copper mined in South and Central America, particularly in Chile and Peru. In 2020, these two countries accounted for a combined total of 40% of global production. Australia was the sixth largest copper producer globally in 2020, producing 0.87 million tonnes, more than 30% of which was produced in South Australia. The chart below illustrates estimated global copper production for 2020.



Source: U.S. Geological Survey

Although Australia accounted for only 4% of global copper production in 2020, it has substantive reserves, representing approximately 10% of the global estimate. As depicted in the figure below, Chile, Australia and Peru are estimated to collectively account for approximately 44% of global reserves of copper.

Copper Reserves by Country (2020)



Source: U.S. Geological Survey

Copper prices

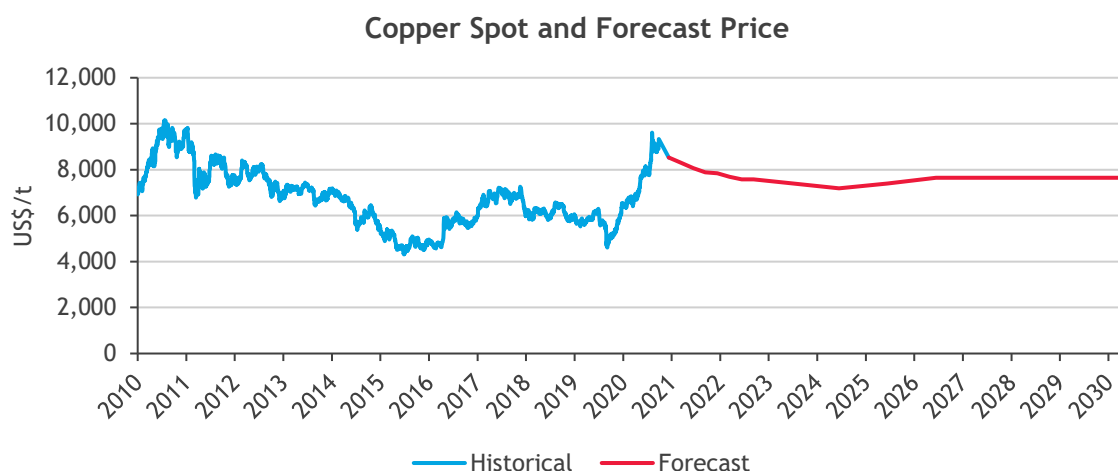
Following a deterioration in global economic conditions in 2008, base metal prices, including copper, fell sharply. The copper price recovered over 2010 and 2011, to reach a high of approximately US\$10,180 per tonne in February 2011. The recovery in the copper price reflected a steady increase in demand for base metals, following a pick-up in global industrial production after the Global Financial Crisis.

Between 2011 and 2017, the copper price steadily declined, before increasing in price in mid-February 2017 as a result of strike action at the world's largest copper mine Escondida, located in Chile.

Like other base metals, the copper price declined sharply as a result of COVID-19 to lows of approximately US\$4,600 per tonne in late March 2020, but has since recovered due to a strong rebound in economic activity particularly in China. Driven by both the improved economic sentiment and copper consumption, the price of copper reached US\$6,810 per tonne in early September 2020, the highest level since mid-2018.

The average copper price from March 2020 through March 2021 was US\$6,759 per tonne, ranging from a low of US\$4,618 per tonne on 23 March 2020 to a high of US\$9,615 per tonne on 25 February 2021. According to Consensus Economics, the medium term forecast copper price from 2022 to 2025 is expected to range between US\$7,188 per tonne and US\$7,885 per tonne, with a long range forecast of US\$7,650 per tonne in 2030.

The copper spot price since 2010 and forecast prices through to 2030 are depicted in the graph below.



Source: Bloomberg and Consensus Economics

8.4 Cobalt industry

Almost all global cobalt production occurs as a by-product of mining other commodities, approximately 38% of which comes from nickel mining and 60% from copper mining. Cobalt is principally used as a super alloying agent due to its anti-corrosive properties but is also widely used in the manufacturing of rechargeable batteries.

Most cobalt is sourced from the Democratic Republic of Congo ('DRC'), however the country is generally thought to be politically unstable with mining operations often employing the use of child labour. Consequently, demand for cobalt produced from Australian mines has also risen as battery manufacturers seek a more reliable and ethical source for the metal.

Key external drivers

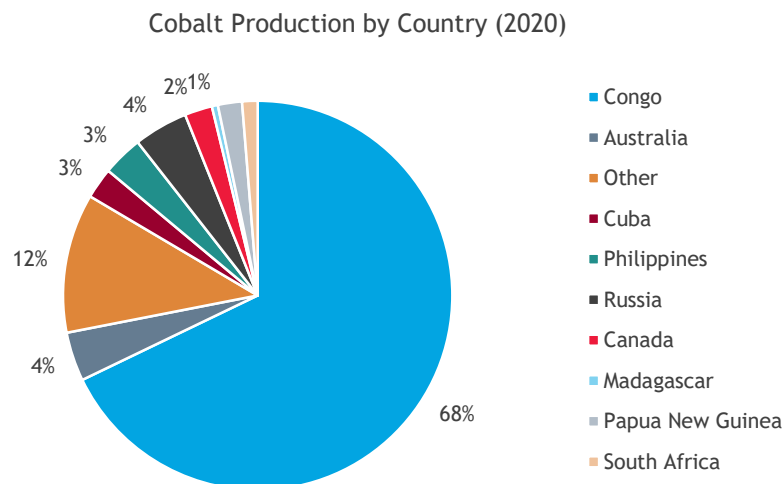
The global price of cobalt is a key driver of industry revenue. The balance between the demand and supply of cobalt greatly influences the cobalt price. Higher prices can drive revenue growth and provides the industry with the opportunity to expand.

The global cobalt price is denominated in US dollars and therefore, the exchange rate directly affects the returns received by local industry operators. A weaker Australian Dollar benefits the domestic industry by reducing prices in export markets and pushing up demand from overseas markets.

Cobalt production primarily occurs as a by-product of nickel and copper mining. Therefore, the performance of these industries are often closely related. When nickel and copper production rises, cobalt production is also expected to rise.

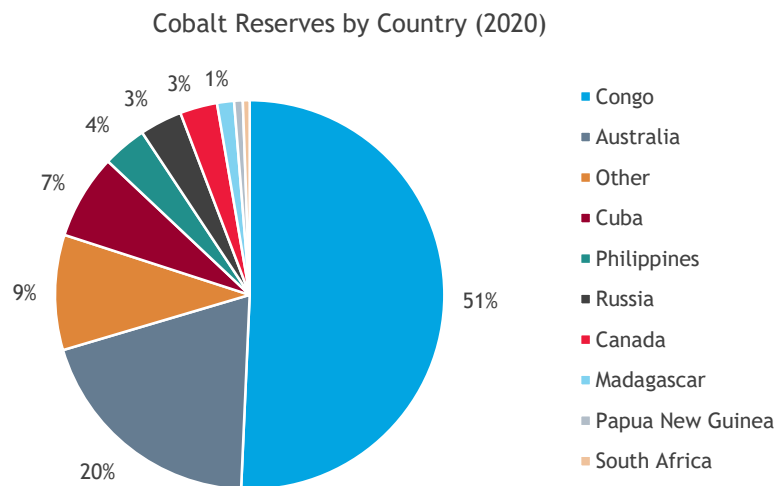
Cobalt ore mining trends

In 2020, an estimated 140,000 metric tonnes of cobalt were produced. The chart below shows the countries in which the majority of cobalt was produced in 2020, with the DRC the clear leader in global cobalt production:



Source: U.S. Geological Survey

The chart below shows the location of the world's cobalt reserves, with DRC once again accounting for the largest proportion of global reserves.



Source: U.S. Geological Survey

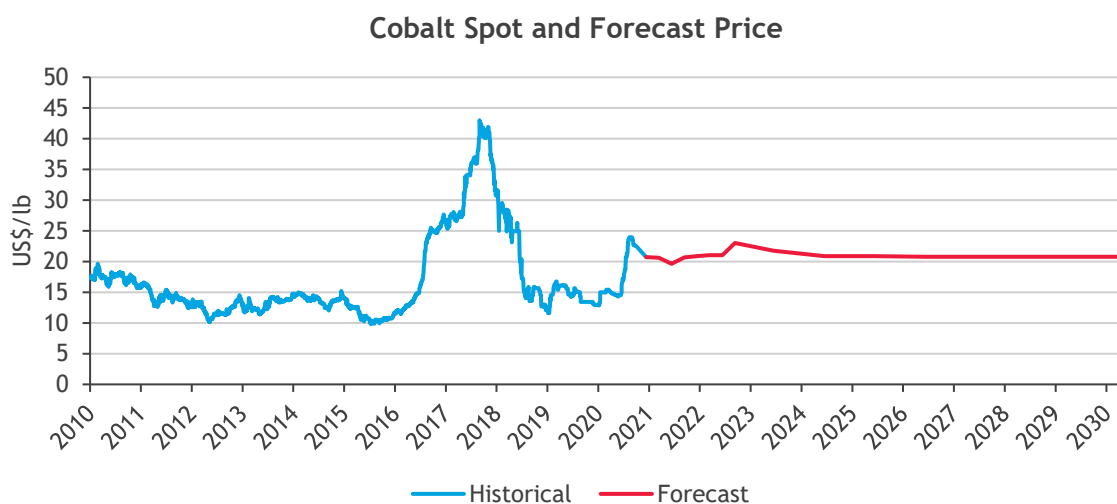
Price Trends

Over the past five years, demand for cobalt has been supported by an increasing demand from battery manufacturers who use the metal to prevent overheating and to extend the usable life of batteries. As cobalt is almost entirely produced as a by-product of nickel and copper mining, its production is not easily expanded which explains the high level of volatility of its historical prices. In mid-2016, market expectations of a supply crunch in cobalt production resulted in prices increasing from US\$10 per pound to US\$40 per pound.

The falling cobalt price since then has primarily been driven by increasing supply from the DRC. In August 2019, global cobalt producer, Glencore, announced it would suspend its operations at its copper and cobalt mine in DRC by the end of the year. The announcement temporarily boosted cobalt prices, with prices exceeding US\$17 per pound in October 2019, although prices have moderated since.

Global cobalt prices are expected to rise due to the lack of viable cobalt resources globally coinciding with higher global demand. One of the key customers of cobalt is the battery manufacturing industry. While most of the cobalt required by that industry is used in portable electronic devices, the advent of electric vehicles is expected to lead to a step change in demand. An average electric vehicle is expected to require nearly 1,000 times more cobalt than a cell phone. However, in the near term, supply is expected to exceed demand which would limit the price of the metal.

A summary of the historical spot price of cobalt, based on the quoted price on the Asian Metals Exchange in US\$ per pound, and forecasts to 2030 (in nominal terms, free on board) are illustrated in the chart below.



Source: Bloomberg, Consensus Economics

8.5 Natural gas industry

Natural gas is formed through the decomposition, heating, and pressurisation of organic matter at depth to form hydrocarbons. Hydrocarbons are an organic compound that come in lengths and consist entirely of hydrogen and carbon molecules, that, when broken, release energy when combusted.

Reservoirs containing natural gas are referred to as either conventional or unconventional reservoirs. The key distinction between the type of reservoir primarily relates to the porosity (a measure of empty space

in a material), permeability (a measure of the ability of a substance to allow other substances to flow through it), as well as the source rock and general geology of the reservoir. Conventional reservoirs are generally easier to extract gas from while unconventional reservoirs require more complex extraction methods and technology.

Conventional gas is extracted through traditional drilling techniques whereby gas is typically contained in sedimentary rocks (often sandstone) and trapped by an impermeable rock cap. An advantage of conventional gas reservoirs is that, once the well is established, gas flows freely to the surface.

Unconventional gas is often found in deeper, more complex geological formations with limited capacity to migrate. Unconventional gas requires greater investment and more sophisticated extraction technology and methods including the strategic use of multiple wells and hydraulic fracture stimulations.

Unconventional gas reservoirs take three main forms; coal seam gas ('CSG'), tight gas, and shale gas.

CSG typically refers to methane gas that is trapped within the coal seam under pressure. Extraction may require the use of multiple wells with horizontal components, or additional hydraulic fracture stimulations. Reservoirs require de-watering before the pressure in the seam equalises with groundwater pressure, and allows the gas to freely flow to the surface.

Tight gas and shale gas are typically found at depths greater than CSG with lower permeability compared to conventional gas reservoirs. Both tight gas and shale gas require the use of more sophisticated extraction techniques including horizontal drilling and hydraulic fracture stimulations, and are generally found at depths greater than 1,000 metres.

The table below summarises the different types of natural gases and their common uses.

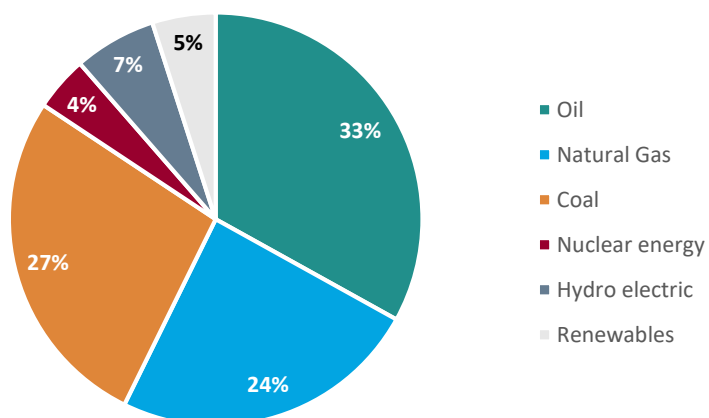
Gas	Description	Uses
Methane	Natural gas found in several different rocks, including coal seams, sandstone, and shale	▶ Electricity generation
CSG	Natural gas sourced from coal deposits	▶ Cooking, heating houses and buildings, and heating water
Shale and Tight Gas	Natural gas that has been trapped in low-fracture, low permeability formations with no natural flow which can be extracted by use of hydraulic fracturing and horizontal drilling techniques	▶ Fertilisers, glass, steels, plastics, paint and fabrics
Liquefied Natural Gas	Natural gas chilled to -161oC until it's in a liquid form which can be reduced to 1/600th of its original size so that it can be transported safely and economically	

Global energy consumption

Global consumption of energy has increased steadily from 279.46 exajoules in 1980 to 583.9 exajoules in 2019, at an average growth rate of 1.9% annually. North America had historically been the largest consumer of energy globally, before being overtaken by the Asia Pacific region in 2001. The Asia Pacific region now consumes more than double the energy of North America.

Natural gas makes up the third largest portion of global energy consumption. In 2019, natural gas supplied 24.2% of global energy consumption, the highest proportion on record. Oil and coal are the biggest sources of energy globally, representing 33.1% and 27% of consumption respectively.

Global Energy Consumption by Source in 2019

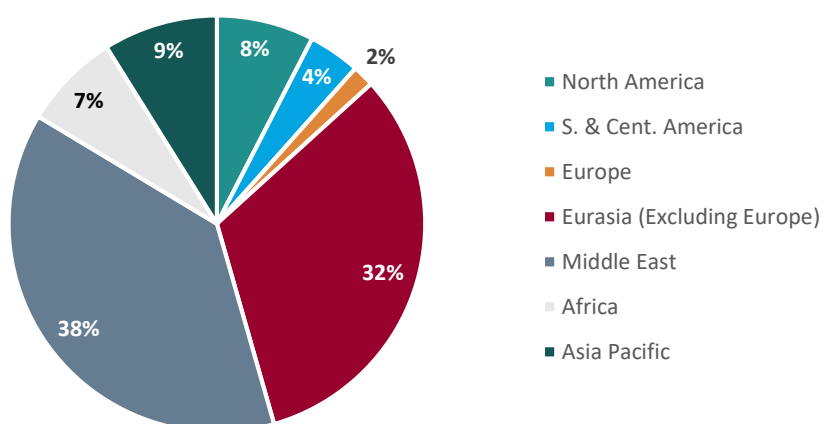


Source: BP Statistical Review of World Energy - 2020

Global natural gas reserves

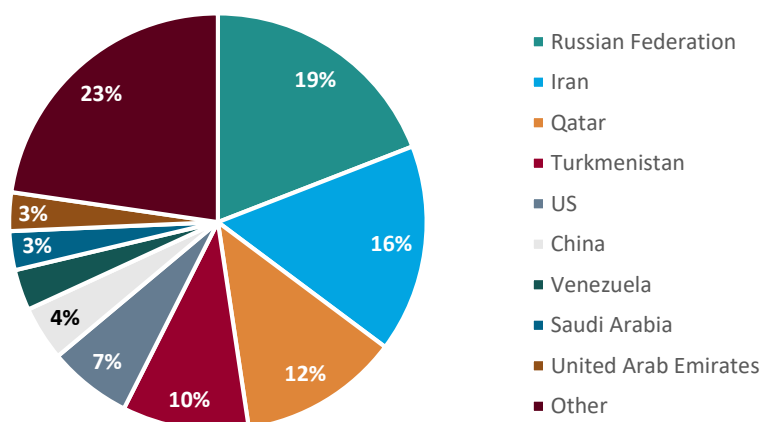
As at the end of 2019, global proven natural gas reserves total 198.8 Tm³. The figures below illustrate global proved reserves by region and country as at December 2019.

Global Natural Gas Proved Reserves by Region



Source: BP Statistical Review of World Energy - 2020

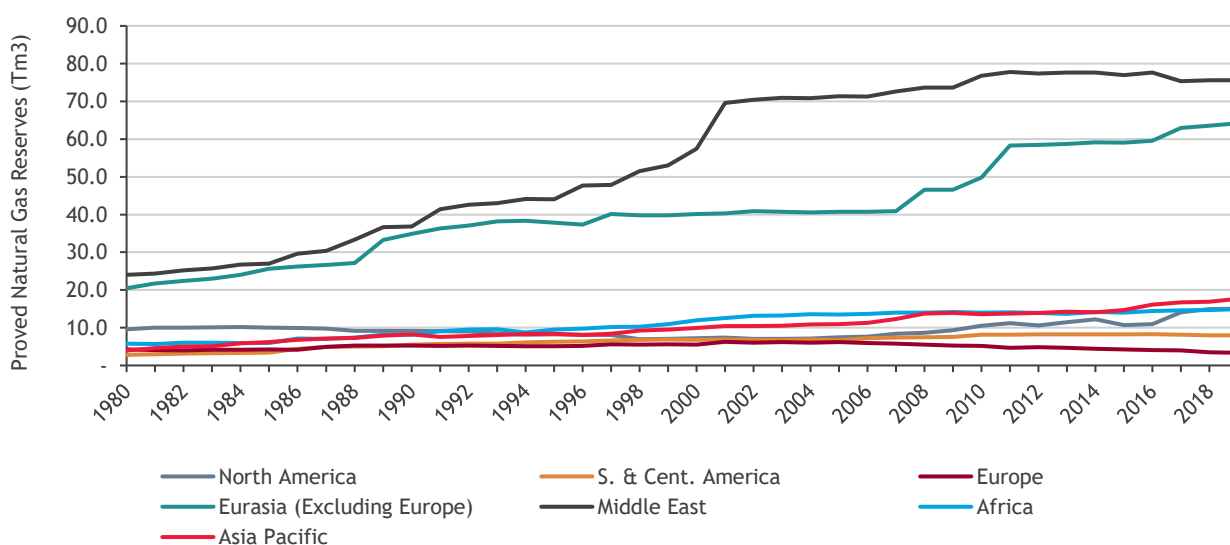
Global Natural Gas Proved Reserves by Country



Source: BP Statistical Review of World Energy - 2020

By region, the Middle East and Eurasia represents collectively approximately 70% of the world's proven gas reserves at 75.6 Tm³ and 64.2 Tm³ respectively. By country, the top three countries by proven reserves are Russia, Iran and Qatar, with 38.0 Tm³, 32.0 Tm³, and 24.7 Tm³ respectively.

Global Natural Gas Proved Reserves by Region between 1980 and 2019



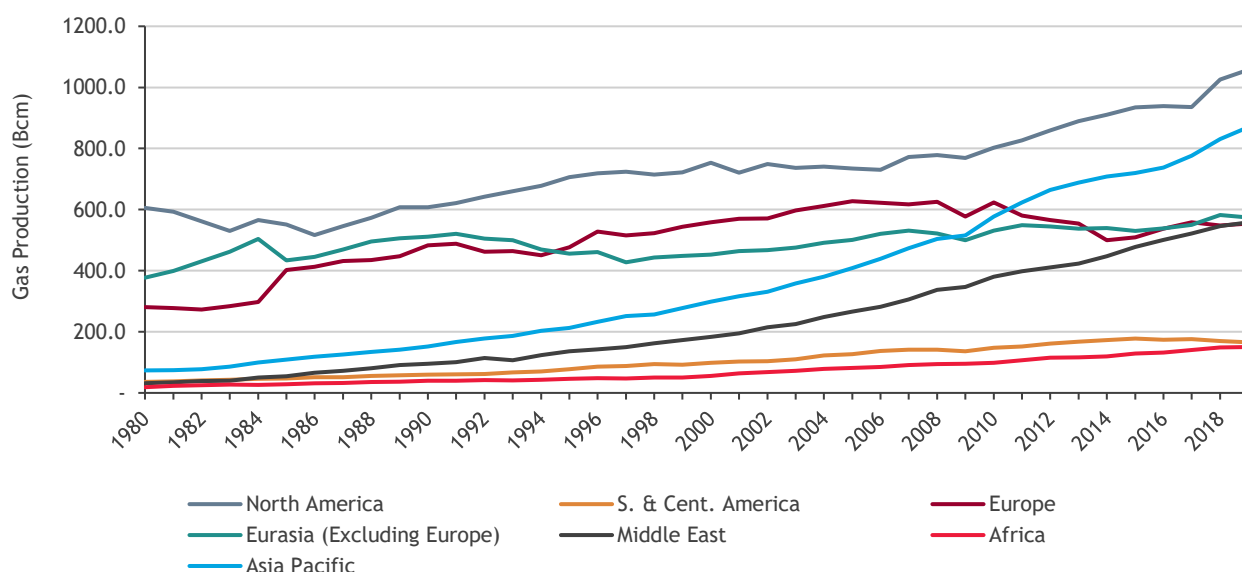
Source: BP Statistical Review of World Energy - 2020

The Middle East and Eurasia have consistently held the largest proven global natural gas reserves throughout the period and hold many multiples larger than the collective remaining global reserves.

Global natural gas production

The below graph illustrates global natural gas production by region between 1980 and 2019. Over the period North America and Eurasia (excluding Europe) remain the largest natural gas producing regions. Production in the Middle East and Asia Pacific respectively has rapidly grown, throughout the period resulting in the regions becoming the third and fourth largest producing regions respectively.

Global Natural Gas Production by Region between 1980 and 2019

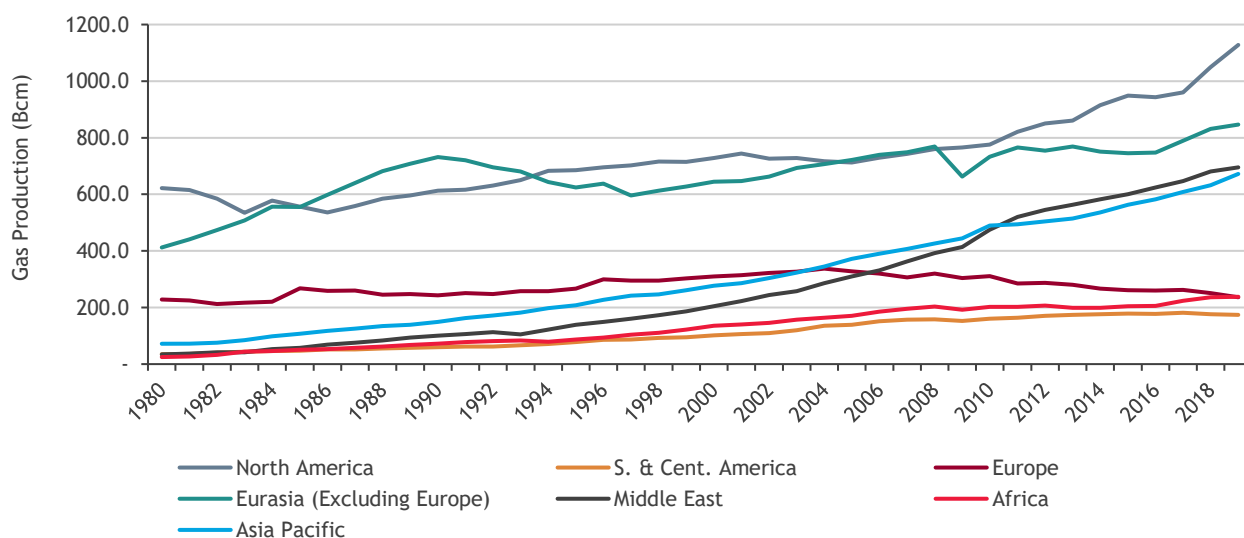


Source: BP Statistical Review of World Energy - 2020

Global natural gas consumption

The graph below illustrates natural gas consumption by region between 1980 and 2019, and shows that North America is consistently the biggest consumer of natural gas globally. Throughout the period consumption has also grown rapidly in the Asia Pacific and Middle East.

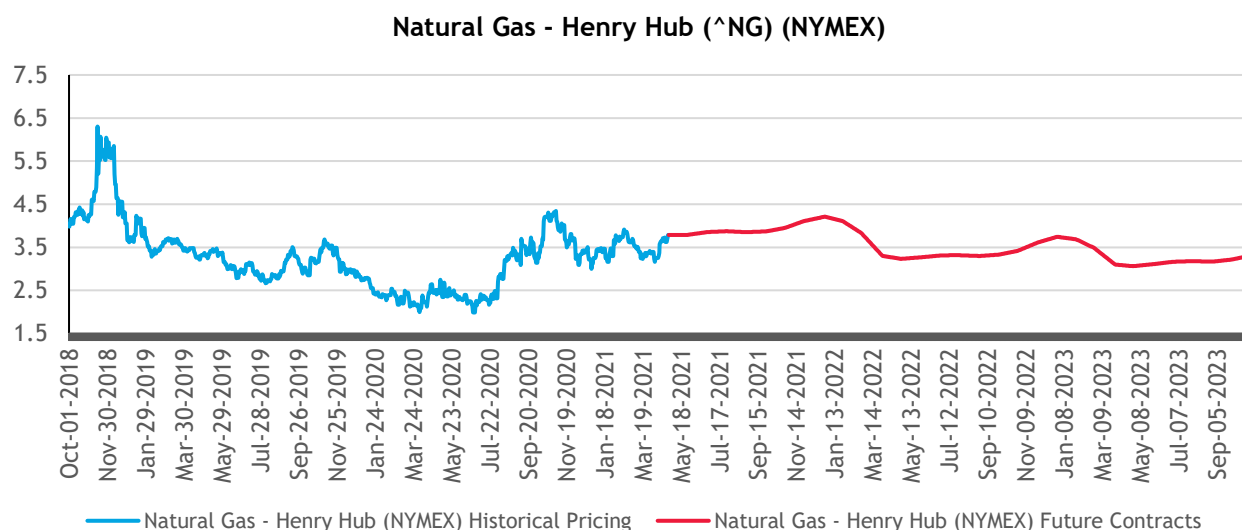
Global Natural Gas Consumption by Region between 1980 and 2019



Source: BP Statistical Review of World Energy - 2020

Recent trends in global gas prices

The graph below illustrates the US Henry Hub natural gas spot rate between October 2018 and April 2021, as well as the Henry Hub natural gas futures price for the period to October 2023.



Source: Capital IQ as at 28 April 2021

Mongolian natural resources industry

The extractive industry plays an important role in Mongolia's economy, accounting for 23.03% of GDP on average over the last three years. Mongolia is rich in mineral deposits with over 6,000 deposits discovered containing 80 types of minerals including coal, gold, copper and uranium.

Coal makes up the majority of Mongolia's natural resource extraction sector, with over 300 deposits found in 15 basins across the country. BP reported Mongolia has proven coal deposits of 2520 million tonnes as of December 2019, representing 0.2% of proved global reserves.

In 2018, Mongolia's coal production was 54.6 million tonnes up from 49.5 million tonnes on the previous year. The table below illustrates Mongolian coal mining statistics between 2016 - 2018.

Coal mining	'000 tonnes
2016	35,096.5
2017	49,480.3
2018	54,572.3
Total	139,149.1

Source: 2018 Mongolia Extractive Industries Transparency Initiative Report

Coal is the largest primary energy source in Mongolia supplying approximately 86% of Mongolia's domestic energy consumption, however the majority of Mongolia's coal sales are exported. Mongolian coal is primarily exported to China.

The table below illustrates Mongolian coal sales statistics in 2018.

Coal type	Export	Local	Total
Washed coking coal	5,479.5		5,479.5
Raw coking coal	14,404.2		14,404.2
Weak coking coal	11,680.5		11,680.5
Thermal coal	5,107.2		5,107.2
Brown coal	-	9,069.6	9,069.6
Total	36,671.4	9,069.6	45,741.0

Source: 2018 Mongolia Extractive Industries Transparency Initiative Report

Coal seam gas

The CSG extraction industry presents as an opportunity to expand alongside Mongolia's already developed coal extraction sector. Contained within the Mongolia's significant coal deposits are estimated reserves of 68 billion m³ of CSG spread between the basins. The table below illustrates the deposits of CSG by coal basin as at 2011.

Coal Basin	Million m3
Tavantolgoi	53,938.1
Amangol	5,150.3
Shivee Ovoo	1,845.2
Tevshiingovi	1,835.4
Baganuur	1,642.9
Nuurst Khotgor	715.7
Khushuut	467.0
Aduunchuluun	376.5
Uvdughudag	323.0
Chandganatal	249.6
Talbulag	241.7
Ulaan Ovoo	219.0
Saikhan Ovoo	203.2
Shariingol	200.9
Nalaikh	192.9
Khuut	177.5
Bayanteeg	92.7
Nariin Sukhait	81.8
Khar Tarvagatai	52.3
Zeegt	16.4
Mogoiingol	11.5
Uvurchuluut	5.9
Total	68,039.5

Source: The Potential for Methane Gas Development in Mongolia - 2015

Challenges

Ch. Otgochuluu and R. Bold-Erdene in *The Potential for Methane Gas Development in Mongolia* highlighted the potential challenges operators face in carrying out CSG extraction in Mongolia. The challenges include the need for significant capital investment to develop required infrastructure such as gas transportation pipelines, compressor stations, distribution facilities, and road and railway networks to efficiently transport the extracted CSG. Weather conditions can also present challenges due to the harsh climate in Mongolia restricting extraction activities.

Legal environment

The Mongolian government passed the Law on Petroleum in 2014, which has allowed for a conducive environment for developing and conducting exploration and extraction activities for unconventional extraction. This framework is designed to provide regulation to protect the environment whilst encouraging foreign investment in the sector.

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 HGM shares we have chosen to employ the following methodologies:

9.1 Valuation of a HGM share prior to the Proposed Transaction

In our assessment of the value of a HGM share prior to the Proposed Transaction, we have chosen to employ the following methodologies:

- ▶ NAV on a going concern basis as our primary valuation methodology; and
- ▶ QMP as our secondary methodology as this represents the value that a Shareholder can receive for a share if sold on the market.

We have chosen these methodologies for the following reasons:

- ▶ HGM is a holder of exploration assets which do not currently generate any income nor are there any historical profits that could be used to represent future earnings, as such we do not consider that we have reasonable grounds to use an income based valuation methodology such as FME.
- ▶ HGM currently has no foreseeable future net cash inflows, so the application of the DCF valuation approach is not appropriate.
- ▶ Consequently we have adopted NAV as our primary valuation method. HGM's mineral assets are currently producing no revenue and no net cash inflows are currently generated by these assets. Therefore, we consider that the NAV approach is best suited for the valuation.
- ▶ We have adopted QMP as a secondary approach. The QMP basis is a relevant methodology to consider because HGM's shares are listed on the ASX. This means there is a regulated and observable market where HGM's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid and the market should be fully informed of the Company's activities.

9.2 Valuation of a HGM share following the Proposed Transaction

In our assessment of the value of a HGM share following the Proposed Transaction, we have chosen to employ the NAV approach as our primary valuation methodology.

We have chosen this methodology for the following reasons:

- ▶ HGM's mineral assets currently held, nor the assets to be acquired under the Proposed Transaction, generate any income nor are there any historical profits that could be used to represent future

earnings, as such we do not consider that we have reasonable grounds to use an income based valuation methodology such as FME.

- ▶ Following the Proposed Transaction, HGM has no foreseeable future net cash inflows, to the application of the DCF valuation approach is not appropriate.
- ▶ Consequently we have adopted NAV as our primary valuation method. HGM's mineral assets and the assets to be acquired are currently producing no revenue and no net cash inflows are currently generated by these assets. Therefore, we consider that the NAV approach is best suited for the valuation.

Independent specialist valuations

- ▶ In valuing HGM's mineral assets as part of our NAV valuation, we have relied on the independent specialist valuation performed by Valuation and Resource Management Pty Ltd ('VRM') in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets 2015 ('the Valmin Code') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 ('the JORC Code'). We are satisfied with the valuation methodologies adopted by VRM which we believe are in accordance with industry practice and compliant with the requirements of the Valmin Code. A copy of VRM's valuation report is attached in Appendix 3.
- ▶ In valuing Jade Group's mineral assets as part of our NAV valuation, we have relied on the independent specialist valuation performed by Risc Advisory Pty Ltd ('RISC') in accordance with the Valmin Code and the JORC Code. We are satisfied with the valuation methodologies adopted by RISC which we believe are in accordance with industry practice and compliant with the requirements of the Valmin Code. A copy of RISC's valuation report is attached in Appendix 4.

10. Valuation of HGM prior to Proposed Transaction

10.1 Net Asset Valuation of HGM

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

		As at			
[AUD]	Note	31-Dec-20 Audited	Valuation Low	Valuation Preferred	Valuation High
Current assets					
Cash and cash equivalents		82,637	82,637	82,637	82,637
Trade and other receivables		29,022	29,022	29,022	29,022
Other assets		95,167	95,167	95,167	95,167
Total current assets		206,826	206,826	206,826	206,826
Non-current assets					
Exploration and evaluation expenditure	1	-	980,000	1,720,000	2,470,000
Total non-current assets		-	980,000	1,720,000	2,470,000
Liabilities					
Trade and other payables		190,667	190,667	190,667	190,667
Total liabilities		190,667	190,667	190,667	190,667
Net assets		16,159	996,159	1,736,159	2,486,159
Shares on issue			566,172,490	566,172,490	566,172,490
Value per share controlling interest basis			\$0.0018	\$0.0031	\$0.0044

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of HGM since 31 December 2020. The table above indicates the net asset value of an HGM share is between \$0.0018 and \$0.0044.

The following adjustments were made to the net assets of HGM as at 31 December 2020 in arriving at our valuation.

Note 1) Exploration and evaluation expenditure

We instructed VRM to provide an independent market valuation of the exploration assets held by HGM. VRM has chosen to value the HGM properties in Austria on the basis of Geoscientific (or Kilburn) as the primary method and to use the Prospectivity Enhancement Multiplier ('PEM') method as a cross check. Both methodologies are cost based approaches. Geoscientific assesses the base acquisition cost of the tenement and applies multiples to account for four key technical aspects of the project, which forms the basis of the technical valuation. A market factor is then applied to the technical value to arrive at a market value of the project. In the case of HGM, a discount was applied to derive the market valuation. PEM applies a factor which is directly related to the success of the exploration expenditure to advance the Property. This factor is applied to previous exploration expenditure to arrive at a market valuation.

We consider these methods to be appropriate for valuing HGM's exploration assets.

Full details of VRM's valuation are provided in Appendix 3 to our Report.

The range of values of each of HGM's exploration assets as assessed by VRM is set out below:

Mineral Asset [AUD]	Low Value	Preferred Value	High Value
Austrian Properties	980,000	1,720,000	2,470,000

Source: VRM - Valuation of the Mineral Assets of High Grade Metals Ltd, 3 May 2021.

The table above indicates a range of values between \$0.98 million and \$2.47 million, with a preferred value of \$1.72 million.

10.2 Quoted Market Prices for HGM's shares prior to the Proposed Transaction

To provide a comparison to the valuation of HGM in Section 10.1, we have also assessed the quoted market price for an HGM 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 section 611 of the Act 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.

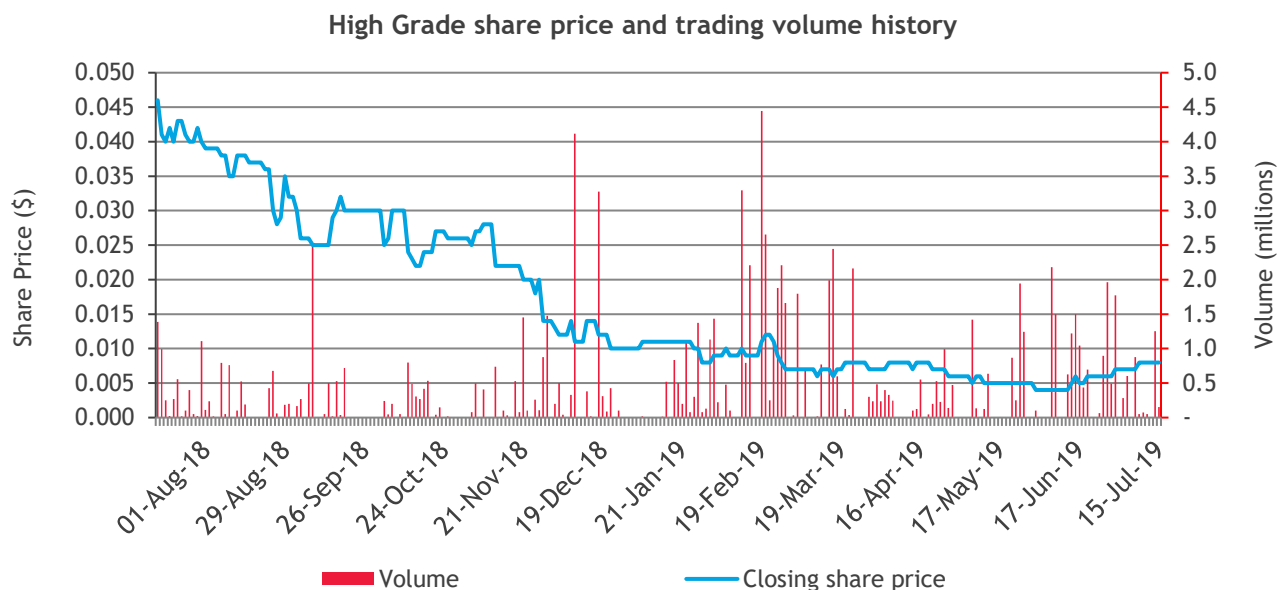
Whilst Jade Shareholders will not be obtaining 100% of HGM, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider and acquirer's practical level of control when considering reasonableness. Reasonableness has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

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

Minority interest value

Our analysis of the quoted market price of an HGM share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of an HGM share after the announcement may include the effects of any change in value as a result of the Proposed Transaction being announced. However, we have considered the value of an HGM share following the announcement of the Proposed Transaction when we have considered reasonableness in Section 13.

The securities of HGM were placed in trading halt on 16 July 2019, pending the release to the market of an announcement with respect to the Proposed Transaction (which was released on 7 July 2020). Therefore, the following graph provides a summary of the share price movement over the twelve months to 15 July 2019 which was the last trading day prior to the announcement of the Proposed Transaction.



Source: Bloomberg

The daily price of HGM shares from 16 July 2018 to 15 July 2019 has ranged from a low of \$0.004 on 11 June 2019 to a high of \$0.0460 on 16 July 2018. The share price of HGM exhibited a downward trend through to June 2019, where the price climbed slightly. The highest single day of trading was on 19 February 2019 where 4,444,882 shares were traded.

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	
		[AUD] (movement)		[AUD] (movement)	
16/07/2018	Strong Geophysical Results at Leogang	0.046	► 0.0%	0.042	▼ 8.7%
24/07/2018	HGM expands its position in Austria	0.043	► 0.0%	0.040	▼ 7.0%
30/07/2018	Quarterly Cashflow Report	0.042	▲ 5.0%	0.039	▼ 7.1%
30/07/2018	Quarterly Activities Report	0.042	▲ 5.0%	0.039	▼ 7.1%
2/08/2018	Maiden program to begin soon, rigs mobilised	0.039	► 0.0%	0.038	▼ 2.6%
17/08/2018	Trading Halt	0.037	► 0.0%	0.036	▼ 2.7%
21/08/2018	Voluntary Suspension	0.037	► 0.0%	0.030	▼ 18.9%
21/08/2018	HGM Agrees to Sell Non Core Vanadium Asset	0.037	► 0.0%	0.030	▼ 18.9%
21/08/2018	Reinstatement to Official Quotation	0.037	► 0.0%	0.030	▼ 18.9%
23/08/2018	SRN: Acquisition of Victory Bore Vanadium Tenement	0.036	► 0.0%	0.029	▼ 19.4%
3/09/2018	Austrian Drilling Update	0.030	▼ 6.3%	0.026	▼ 13.3%
4/10/2018	Drilling Commences at Leogang	0.026	▲ 4%	0.030	▲ 15%
22/10/2018	Drilling Commences at Schellgaden	0.027	▲ 13%	0.026	▼ 4%
31/10/2018	Quarterly Cashflow Report	0.026	► 0%	0.027	▲ 4%
31/10/2018	Quarterly Activities Report	0.026	► 0%	0.027	▲ 4%
29/11/2018	HGM Completes Maiden Drilling in Austria for 2018	0.014	► 0%	0.012	▼ 14%
31/01/2019	Quarterly Activities and Cashflow Report	0.008	► 0%	0.009	▲ 13%
11/02/2019	Pause in Trading	0.009	► 0%	0.009	► 0%
11/02/2019	Trading Halt	0.009	► 0%	0.009	► 0%
12/02/2019	HGM Board Changes	0.010	▲ 11%	0.009	▼ 10%
22/02/2019	Schellgaden Gold Project Drilling Results	0.011	▼ 8%	0.007	▼ 36%
19/03/2019	HGM Provides Victory Bore Sale Update	0.007	► 0%	0.008	▲ 14%
25/03/2019	Leogang Copper, Cobalt and Nickel Project Update - Amended	0.008	► 0%	0.007	▼ 13%
29/04/2019	HGM Provides Update on Austrian Project Development	0.007	► 0%	0.006	▼ 14%
29/04/2019	SRN: Acquisition of Victory Bore Vanadium Project	0.007	► 0%	0.006	▼ 14%
30/04/2019	Quarterly Activities and Cashflow Report	0.006	▼ 14%	0.006	► 0%

Source: Bloomberg

On 30 July 2018, HGM released its Quarterly Activity and Cashflow Reports. The reports highlighted the Company's recent exploration activities and discussed the positive mine survey work undertaken for the Schellgaden Gold Project and the commencement of on ground exploration activities at Leogang Cobalt, Copper & Nickel Project. On the date of the announcement, the Company's share price increased by 5.0% from \$0.040 to \$0.042. However, in the three subsequent trading days the Company's share price declined by 7.1% to \$0.039.

On 3 September 2018, HGM provided an update on the drilling program at the Schellgaden Gold Project. The update discussed delays in the drilling program due to the unavailability of required equipment due to repairs. On the date of the update, the Company's share price decreased by 6.3% from \$0.032 to \$0.030. In the three subsequent trading days the Company's share price declined by a further 13.3% to \$0.026.

On 4 October 2018, HGM provided an update on the drilling program at the Leogang Cobalt, Copper & Nickel Project. The update announced the drilling program had commenced and is due to be completed within 4 - 6 weeks subject to mechanical performance and geological conditions of the site. On the date of the announcement, the Company's share price increased by 4.0% from \$0.025 to \$0.026 before increasing 15% in the subsequent three-day period to close at 0.030.

On 22 October 2018, HGM provided a further update on the drilling program at the Schellgaden Gold Project. The update announced the drilling program had commenced and is due to be completed within 4 - 6 weeks subject to mechanical performance and geological conditions of the site. On the date of the announcement, the Company's share price increased by 13.0% from \$0.024 to \$0.027 before decreasing 4% in the subsequent three-day period to close at 0.026.

On 11 February 2019, HGM was placed in a trading halt pending the release of an announcement.

On 12 February 2019, the Company announced changes to the board following the resignation of the CEO and Managing Director Torey Marshall. The Company appointed Anthony Hall as Executive Chairman on an interim basis while recruitment process to appoint a replacement CEO and Managing Director is commenced. Following the announcement, the Company's share price increased by 11.0% from \$0.009 to \$0.010 before decreasing 10% in the subsequent three-day period to close at \$0.009.

On 22 February 2019, HGM announced first assay results of the drilling program at the Schellgaden Gold Project. Only one of four planned drill holes reached the target depth due to technical difficulties or inclement weather conditions. On the date of the update, the Company's share price decreased by 8.0% from \$0.012 to \$0.011. In the three subsequent trading days the Company's share price declined by a further 36% to \$0.007.

On 30 April 2019, HGM released its Quarterly Activity and Cashflow Reports. The report highlighted that following the compilation and interpretation of recently completed drilling data, the Exploration Targets released for the Leogang and Schellgaden Projects no longer reflect the nature of the targeted mineralisation and could not be relied upon. Further changes to the board were also discussed as the number of directors was reduced to three following the resignations of Simon Frances and Hayden Locke. On the date of the update, the Company's share price decreased by 14% from \$0.007 to \$0.006. In the three subsequent trading days the Company's share remained steady at \$0.006.

On 16 July 2019, the Company announced a trading halt pending the announcement of the Proposed Transaction.

To provide further analysis of the market prices for a HGM share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 15 July 2019.

Share Price per unit	15-Jul-19	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.008				
Volume weighted average price ('VWAP')		\$0.007	\$0.006	\$0.006	\$0.006

Source: Bloomberg, BDO analysis

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

An analysis of the volume of trading in HGM shares for the twelve months to 15 July 2019 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.008	\$0.008	151,000	0.03%
10 Days	\$0.006	\$0.008	3,334,495	0.74%
30 Days	\$0.004	\$0.008	17,727,062	3.91%
60 Days	\$0.004	\$0.008	27,062,864	5.97%
90 Days	\$0.004	\$0.008	38,931,621	8.60%
180 Days	\$0.004	\$0.028	86,334,905	19.06%
1 Year	\$0.004	\$0.046	104,669,979	23.11%

Source: Bloomberg, BDO analysis

This table indicates that HGM's shares display a low level of liquidity, with 23.11% of the Company's current issued capital being traded in a twelve month period.

RG 111.69 states that for the quoted market price methodology to be reliable there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active 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 'liquid and active', 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 HGM, we consider there to be a low level of liquidity for the Company's shares as a result of 23.11% of the Company's issued capital being traded over the twelve months prior to the announcement of the Transaction and less than 1% of the Company's securities are traded on a weekly basis.

Our assessment is that a range of values for HGM shares based on market pricing, after disregarding post announcement pricing, is between \$0.0056 and \$0.0080.

Control premium

The quoted market price per share reflects the value to minority interest shareholders. In order to value a High Grade Metals share on a control basis, we have added a control premium that is based on our analysis set out below.

We have reviewed the control premiums on completed transactions, paid by acquirers of gold companies, general mining companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions

where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium) and at a premium in excess of 100%.

There were two gold company transactions, 14 general mining company transactions and 33 ASX-listed company transactions, for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas, the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

We have summarised our findings below:

Gold companies

Year	Number of Transactions	Average Deal Value (AUDm)	Average Control Premium (%)
2021	1	5,864.23	2.02
2020	1	2,748.72	10.10
2019	1	219.99	56.41
2018	2	31.26	21.77
2017	2	13.74	41.04
2016	5	19.15	51.38
2015	4	56.22	53.80
2014	8	123.49	48.94
2013	4	241.86	20.24
2012	6	137.84	57.98
2011	5	1,032.94	41.35

Source: Bloomberg, BDO analysis

General mining companies

Year	Number of Transactions	Average Deal Value (AUDm)	Average Control Premium (%)
2021	2	2,976.25	15.89
2020	6	494.16	33.24
2019	11	153.60	36.27
2018	9	61.53	39.47
2017	5	13.91	35.21
2016	11	66.19	51.54
2015	9	340.82	57.86
2014	15	113.69	41.79
2013	13	134.67	34.94
2012	16	231.26	49.34
2011	20	845.42	33.08

Source: Bloomberg, BDO analysis

All ASX listed companies

Year	Number of Transactions	Average Deal Value (AUDm)	Average Control Premium (%)
2021	9	715.30	28.60
2020	24	467.30	38.22
2019	42	3,235.53	31.96
2018	42	1,158.48	31.08
2017	29	973.71	37.91
2016	38	788.27	36.82
2015	34	828.14	34.10
2014	45	517.00	37.98
2013	36	138.78	33.37
2012	47	511.85	43.94
2011	63	953.85	35.75

Source: Bloomberg, BDO analysis

The mean and the median of the entire data sets comprising control transactions from 2011 onwards for gold companies, general mining companies and all ASX-listed companies, are set out below:

Entire Data Set Metrics	Gold Companies		General Mining Companies		All ASX-Listed Companies	
	Deal Value (\$m)	Control Premium (%)	Deal Value (\$m)	Control Premium (%)	Deal Value (\$m)	Control Premium (%)
Mean	452.02	43.42	336.87	40.87	981.99	35.96
Median	40.69	41.63	45.11	38.28	126.86	31.57

Source: Bloomberg, BDO analysis

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

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

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium paid by acquirers of gold companies, general mining companies and all ASX-listed companies is approximately 43.42%, 40.87% and 35.96% respectively. However, in assessing the transactions included in the table, we noted that the data appeared to be positively skewed.

In a population where the data is skewed, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed

period was approximately 41.63% for gold companies, 38.28% for general mining companies and 31.57% for all ASX-listed companies.

Based on the above analysis, we consider an appropriate premium for control to be between 30% and 40%, with a midpoint of 35%.

Quoted market price including control premium

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

	Low	Midpoint	High
Quoted market price value	\$0.0056	\$0.0068	\$0.0080
Control premium	30%	35%	40%
Quoted market price valuation including a premium for control	\$0.0073	\$0.0092	\$0.0112

Source: BDO analysis

Therefore, our valuation of a HGM share based on the quoted market price method and including a premium for control is between \$0.0073 and \$0.0112, with a midpoint value of \$0.0092.

10.3 Assessment of HGM value prior to the Proposed Transaction

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

	Low	Preferred	High
Net assets value (Section 10.1)	\$0.0018	\$0.0031	\$0.0044
QMP method (Section 10.2)	\$0.0073	\$0.0092	\$0.0112

Source: BDO analysis

Based on the results above we consider the value of a HGM share prior to the Proposed Transaction on a control basis to be between \$0.0017 and \$0.0043. We consider the NAV method to be the most appropriate approach to value HGM as it includes an independent market valuation of the mineral assets by VRM. Further, as detailed in section 10.2, HGM shares display a low level of liquidity, therefore we do not consider it appropriate to rely on QMP as a primary valuation approach.

We note the value of a HGM share derived from the QMP approach is higher than our NAV of a HGM share for the following reasons:

- ▶ Our NAV valuation includes an independent valuation of HGM's mineral assets performed by VRM. The quoted market price may be based on more optimistic views of technical and/or economic assumptions adopted by VRM; and
- ▶ As detailed in section 10.2, the shares of HGM display a low level of liquidity, with only 23.11% of HGM's issued capital being traded in the twelve months prior to the announcement of the Proposed Transaction. Therefore, the quoted market price may not accurately reflect the underlying value of the Company's shares.

Effect of Share Consolidation

We note that subject to shareholder approval, HGM will complete a consolidation of its capital on a 1:5 basis. To enable comparison of the value of a HGM prior to the Proposed Transaction and following the Proposed Transaction, we have adjusted the value of a HGM share based on the NAV method (Section 10.1) to reflect the Share Consolidation. The NAV valuation of a HGM share prior to the Proposed Transaction, but post the Share Consolidation is set out in the table below.

	Low	Midpoint	High
Post consolidation NAV valuation	\$0.0088	\$0.0153	\$0.0220

Source: BDO analysis

Therefore, our valuation of a HGM share based on the NAV method prior to the Proposed Transaction, but post the Share Consolidation is between \$0.0088 and \$0.0220, with a midpoint value of \$0.0153.

11. Valuation of HGM following the Proposed Transaction

As discussed in section 9, we have relied on the NAV methodology in determining the value of a HGM share following approval of the Proposed Transaction.

Our valuation of HGM following the Proposed Transaction is summarised below:

	Reference/Notes	Low	Preferred	High
Value of HGM following the Proposed Transaction	11.2	\$9,641,692	\$12,981,692	\$15,431,692
Divided by: Number of HGM shares following the Proposed Transaction	a,c	1,209,401,165	1,209,401,165	1,209,401,165
Value of a HGM share following the Proposed Transaction - controlling basis		\$0.0080	\$0.0107	\$0.0128
Discount for minority interest	b	29%	26%	23%
Assessed value per HGM share - minority basis		\$0.0057	\$0.0080	\$0.0098

Source: BDO analysis

The table above indicates the value of a HGM share following the Proposed Transaction on a minority interest basis is between \$0.0057 and \$0.0098 with a preferred value of \$0.0080. The following adjustments were made to the net assets of HGM as at 31 December 2020 in arriving at our valuation of the Company following the Proposed Transaction.

Note a) Number of shares following the Proposed Transaction

We have adjusted the number of shares in Section 10.1 of our Report to reflect:

- ▶ Share Consolidation;
- ▶ Consideration Shares; and
- ▶ proposed capital raise.

The number of shares on issue following the Proposed Transaction is set out in the table below:

Shares on issue	No.
Shares on issue prior to the Proposed Transaction (Section 10.1)	566,172,490
Share Consolidation	113,234,498
Consideration Shares (Section 4.0)	846,166,667
Shares issued under capital raise (Section 4.0)	250,000,000
Total shares on issue pre-consolidation	5,697,005,825
Total shares on issue following the Proposed Transaction	1,209,401,165

Note b) Minority discount

When assessing approval for the sales of securities, RG 111.41 states that in doing so, shareholders may be foregoing:

- ▶ The opportunity of receiving a takeover bid; and
- ▶ Sharing in any premium for control.

As explained in section 3.3 of our Report, in assessing fairness we have compared the value of a HGM share prior to the Proposed Transaction on a control basis to the value of a HGM share following the Proposed Transaction on a minority interest basis. Therefore, we have adjusted the value per share to

reflect minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula $1 - (1 / (1 + \text{Control Premium}))$. In determining the minority discount, we have used the control premium between 30% and 40% as calculated in Section 10.2 of our Report. As such, we consider an appropriate minority discount to apply in our valuation of a HGM share following the Proposed Transaction is in the range of 23% and 29%.

Note c) Options and Performance Shares

We have not diluted the valuation for the exercise of Options or the vesting of Performance Shares.

Options currently on issue have an exercise price of \$0.03. Based on our valuation assessment on an undiluted basis, all the Options will be 'out of the money' and therefore no Options will be exercised.

Performance Shares on issue are dependent on success in respect of the Austrian assets. Given the Company's focus has shifted away from the Austrian assets, it is unlikely the conditions to vest will be met.

11.1 Net Asset Valuation of Jade Group

We have used the Net Asset Valuation approach to value Jade Group for use in assessing the value of HGM following the Proposed Transaction to comply with the requirements of Regulatory Guide 111. The value of Jade Group's net assets on a going concern basis is reflected in our valuation below:

[AUD]	Note	As at 31-Dec-20 Audited	Valuation Low	Valuation Preferred	Valuation High
Current assets					
Cash and cash equivalents	1	162,140	762,140	762,140	762,140
Trade and other receivables		424	424	424	424
Inventories		198	198	198	198
Prepayments		7,018	7,018	7,018	7,018
Total current assets		169,780	769,780	769,780	769,780
Non-current assets					
Property, plant and equipment		357,268	357,268	357,268	357,268
Right-of-use asset	2	19,833	-	-	-
Exploration and evaluation expenditure	3	1,611,976	900,000	3,500,000	5,200,000
Intangible assets		1,140	1,140	1,140	1,140
Deferred tax assets		-	-	-	-
Total non-current assets		1,990,217	1,258,408	3,858,408	5,558,408
Liabilities					
Trade and other payables		162,655	162,655	162,655	162,655
Lease liabilities	4	19,144	-	-	-
Borrowings		70,000	70,000	70,000	70,000
Total liabilities		251,799	232,655	232,655	232,655
Net assets		1,908,199	1,795,533	4,395,533	6,095,533

Source: Jade's audited consolidated financial statements as at 31 December 2020, BDO analysis

The following adjustments were made to the net assets of Jade Group as at 31 December 2020 in arriving at our valuation.

Note 1) Cash and cash equivalents

We have adjusted the cash balance to reflect the share issues on 28 February 2021 and 7 April 2021.

The adjustment is set out in the table below.

Cash and cash equivalents	[AUD]
Cash balance at 31 December 2020	162,140
Share issues (5,000,000 at \$0.012)	600,000
Adjusted cash and cash equivalents	762,140

Source: BDO analysis, ASIC documents lodged by Jade

Note 2) Right-of-use asset

The right-of-use asset is not considered to be a recoverable asset and has been removed.

Note 3) Exploration and evaluation expenditure

We instructed RISC to provide an independent market valuation of the exploration assets held by Jade Group. RISC has chosen to value the TT CBM Project on the basis of comparable transactions as the primary method and to value the BN Project on the basis of future work program commitments and farm-in promote factors as the primary method. This method involves application of a farm-in promote factor to costs of future work program commitments.

We consider these methods to be appropriate for valuing Jade Group's exploration assets.

Full details of RISC's valuation are provided in Appendix 4 to our Report.

The range of values of each of HGM's exploration assets as assessed by RISC is set out below:

Mineral Asset [AUD]	Low Value	Preferred Value	High Value
Mongolian assets	900,000	3,500,000	5,200,000

Source: RISC - Independent Technical Specialist's Report on the coal seam gas exploration projects of Jade Gas Pty Ltd, September 2020

The table above indicates a range of values between \$0.9 million and \$5.2 million, with a preferred value of \$3.5 million.

Note 3) Lease liability

We have removed the lease accounting liabilities, consistent with our treatment of the right-of-use asset.

Note 4) Shares on issue

We have adjusted the number of shares on issue to reflect the share issues on 28 February 2021 and 7 April 2021.

The adjustment is set out in the table below.

Shares on issue	No.
Shares on issue at 31 December 2020	176,250,000
Share issues on 28 February 2021 and 7 April 2021	5,000,000
Adjusted shares on issue	181,250,000

11.2 Adjustments arising from the Proposed Transaction

The post-transaction adjusted NAV is set out below along with our reason for any adjustments.

[AUD]	Note	Adjusted Net assets	Jade Net assets	Post-transaction Net assets
Current assets				
Cash and cash equivalents	1	82,637	762,140	7,694,777
Trade and other receivables		29,022	424	29,446
Inventories		-	198	198
Other assets		95,167	7,018	102,185
Total current assets		206,826	769,780	7,826,606
Non-current assets				
Property, plant and equipment		-	357,268	357,268
Intangible assets		-	1,140	1,140
Exploration and evaluation expenditure		980,000	900,000	1,880,000
Total non-current assets		980,000	1,258,408	2,238,408
Liabilities				
Trade and other payables		190,667	162,655	353,322
Borrowings		-	70,000	70,000
Total liabilities		190,667	232,655	423,322
Net assets		996,159	1,795,533	9,641,692

Source: BDO analysis

Note 1) Cash and cash equivalents

Subject to shareholder approval of the Proposed Transaction, the Company will complete a capital raise issuing 250,000,000 ordinary shares at a price of \$0.03 per share to raise \$6,850,000 net of estimated costs of \$650,000.

Post-transaction net assets

The above table shows the NAV under the low valuation scenario, with exploration and evaluation assets for both HGM and Jade Group included at the low valuation stated in the independent valuation of HGM's mineral assets performed by VRM of \$960,000 and of Jade Group's mineral assets performed by RISC of \$900,000.

The table below sets out the post-transaction NAV under the low, preferred and high valuation scenarios.

[AUD]	Low	Preferred	High
HGM Exploration and evaluation assets	980,000	1,720,000	2,470,000
Jade Exploration and evaluation assets	900,000	3,500,000	5,200,000
Post-transaction Net assets	9,641,692	12,981,692	15,431,692

12. Is the Proposed Transaction fair?

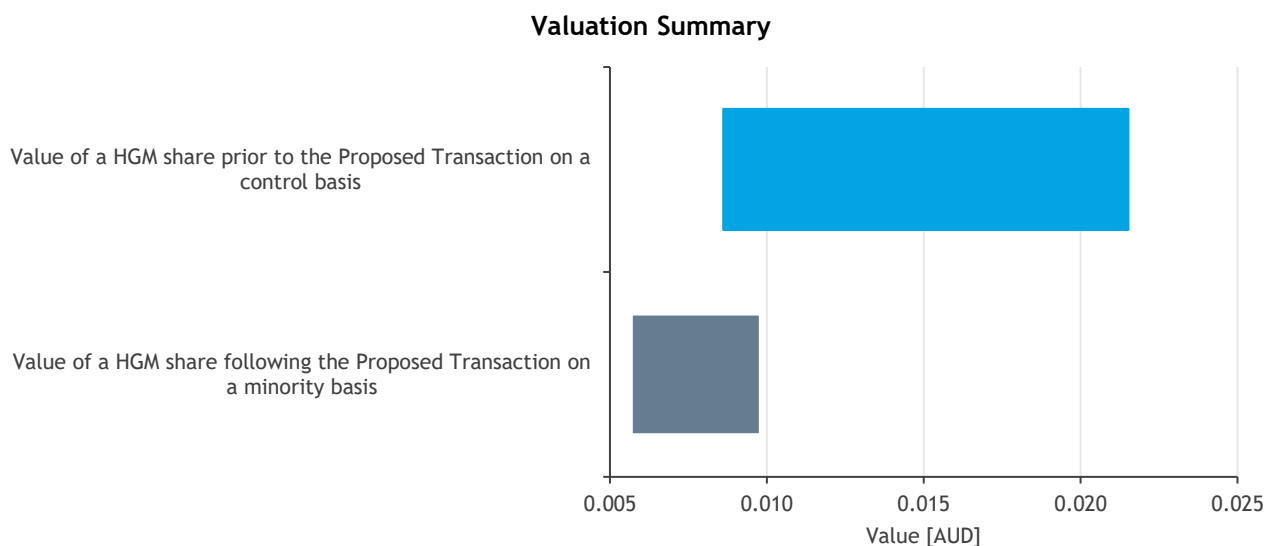
The value of HGM share prior to the Proposed Transaction on a control basis compares to the value of a HGM share following the Proposed Transaction on a minority basis, as detailed below:

	Reference	Low [AUD]	Preferred [AUD]	High [AUD]
Value of a HGM share prior to the Proposed Transaction on a control basis	10	0.0088	0.0153	0.0220
Value of HGM share following the Proposed Transaction on a minority basis	11	0.0057	0.0080	0.0098

Source: BDO analysis

We note from the table above that the value prior to the Proposed Transaction on a control basis is higher than the value following the Proposed Transaction on a minority basis. Therefore, we consider that the Proposed Transaction is not fair.

The above value ranges are graphically presented below.



13. Is the Proposed Transaction reasonable?

13.1 Alternative proposal

We are unaware of any alternative proposal that might offer the Shareholders of HGM a premium over the value ascribed to, or resulting from, the Proposed Transaction. However, if the Proposed Transaction is successful it may reduce the likelihood of the Shareholders receiving a control premium in the future through a takeover offer.

13.2 Practical level of control

If the Proposed Transaction is approved then Jade Shareholders will hold an interest of 70.49% in HGM on an undiluted basis. In the event the Consideration Options are exercised, Jade Shareholders will increase their holding to a maximum of 72.11%.

In addition, Mr Joseph Burke (and associates) will hold an interest of 34.28% in HGM on an undiluted basis. In the event Mr Joseph Burke exercises his options, Mr Joseph Burke (and associates) will increase his holding to a maximum of 34.72%.

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 Proposed Transaction is approved then Jade Shareholders will be able to block special resolutions and general resolutions and pass general resolutions. In addition, Mr Joseph Burke (and associates) will be able to block special resolutions.

HGM's Board currently comprises five directors. Jade will nominate two additional directors (Mr Joseph Burke and Mr Daniel Eddington) and two existing HGM directors will resign at completion of the Proposed Transaction, so HGM's Board will remain at five directors. This means that Jade's nominated directors will make up 40% of the Board.

Jade's control of HGM following the Proposed Transaction will be significant when compared to all other shareholders.

13.3 Consequences of not approving the Proposed Transaction

If the Proposed Transaction is not approved, HGM does not hold any other mineral assets with the potential for successful development and exploitation.

13.4 Advantages of approving the Proposed Transaction

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

Advantage	Description
Reduced reliance on the success of the Austrian assets	As per the ASX announcement released to the market on 26 July 2019 and consistent with those released subsequent, an evaluation conducted by newly appointed (at the time) Technical Director, Bradley Drabsch, following a number of site visits, downgraded the exploration potential of the suite of projects based on a number of factors: ▶ Previous technical management overestimated the value and potential of the projects and underestimated the risks associated with the projects during a time where the targeted commodity suite, in particular Cobalt, was experiencing a significant market run. ▶ The environmental risks associated with attempting to develop mining projects in Europe, in general, are substantial, in particular, in this case, within tourist regions of the Alps in Austria. ▶ The geological risks are high due to the narrow vein style nature of the mineralisation targeted. ▶ The administrative access risks are high due to several layers of ownership or lease holding over targeted lands. Access may be restricted or costly to obtain. ▶ The physical access risks on the projects are very high due to many, if not all projects being situated well above the tree line in the Alps, typically in very steep terrain that remains completely inaccessible for many months of the year and difficult to access for machinery at most times. HGM advises that mitigation of these risks, whilst possible comes at considerable cost. In addition, the weather window for drilling operations in the Project areas is minimal, limited to approximately 3-5 months of the year HGM no longer has In Country management for these assets. HGM continues to market and assess arrangements to monetise the Australian assets but without success, amplified by the current impact of the COVID-19 pandemic. HGM has been unable to attract any interest to raise additional capital to fund the Austrian projects since 2017. HGM continues to attempt to secure a partner to assist with project exploration/development or divest the projects outright. HGM advises this is proving very difficult given the inherent risks discussed above and amplified by the current impact of the COVID-19 pandemic. In the absence of funding alternatives, HGM considers that a sensible path forward in the longer term may be to sever these assets completely, they have been impaired to zero value and therefore are not represented as valuable on the Company balance sheet.

Advantage	Description
Gain exposure to Mongolian assets	Directors of HGM have determined the existing asset portfolio is unlikely to be successful. If the Proposed Transaction is accepted, HGM will have an interest in both the TT CBM Project and BN Projects. This provides exposure to assets at varying stages of exploration and appraisal. Ordinary Shareholders will become exposed to the risks and opportunities associated with Jade Group's existing mineral assets in Mongolia, the TT CBM Project and BN Projects. The potential scale of a successful implementation of the Mongolian assets is an order of magnitude larger than the potential scale of the existing HGM mineral assets.
Control of Mongolian assets	If the Proposed Transaction is accepted, not only will HGM have an interest in the Mongolian assets but it will have control of both projects under the relevant joint venture agreements.
Access to funds to advance exploration	If the Proposed Transaction is accepted, according to HGM, the \$6.85 million net of costs from the capital raise will be used to fund exploration and development of the Jade Group projects and rights, and for general working capital purposes. Jade Group intend to move rapidly into an advanced exploration phase to provide further data on the coal seams likely to be targeted for future gas exploration. HGM has already demonstrated an improved ability to raise capital with the rights issue and its progress towards IPO marketed on the back of the changed focus to the Mongolian assets. It is also noted that without the rights issue and the proposed IPO HGM is likely to have difficulty raising funds to further develop the Austrian assets with the potential for sale of these assets on a distressed basis or abandonment of the assets if minimum spending requirements could not be met.
Gain exposure to possible value accretion arising from director appointment	Proposed executive director, Mr Joseph Burke, has a proven track record in Mongolian mining enterprises.
Access to Mongolian Government, regulatory authorities and local industry relationships.	The joint venture partner on the TT CBM Project is Erdenes, which is a 100% owned subsidiary of Mongolian Government entity Erdenes Mongol LLC. We understand from management that the association with Erdenes Mongol LLC may prove to be important in further progressing projects in Mongolia. Erdenes Mongol LLC hold good government relationships, they understand the local regulatory requirements, they hold good relationships with many other participants in the industry and they have access to additional government funding should they be approached for additional funding and they choose to invest.
A superior proposal has not been received	As at the date of this Report, the Directors advise that a superior proposal to the Proposed Transaction has not been received by the Company.

13.6 Disadvantages of approving the Proposed Transaction

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

Disadvantage	Description
The Proposed Transaction is not fair	As set out in section 12 the Proposed Transaction is not fair.
Dilution of existing shareholders' interest	Whilst existing shareholders will have their ownership diluted as part of the Proposed Transaction, this provides access to mineral assets and financing to move closer to realising the cash flows from these assets.
Restriction on resolutions	Jade Shareholders will hold more than 50% shareholding of the Company (on an undiluted basis), this will restrict the remaining shareholders' ability to take decisions requiring Ordinary and Special Resolutions without the approval of Jade Shareholders.

14. Conclusion

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

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/reviewed financial statements of HGM for the years ended 31 December 2019, 31 December 2020 and six months ended 30 June 2019 and 30 June 2020;
- ▶ Audited/reviewed consolidated financial statements of Jade for the period 7 February 2019 to 30 June 2020 and year ended 31 December 2020;
- ▶ Independent Valuation Report of HGM's mineral assets dated 4 May 2021 performed by VRM;
- ▶ Independent Valuation Report of Jade Group's mineral assets dated 14 September 2020 performed by RISC;
- ▶ Addendum and Update to RISC's Independent Technical Specialist's Report on the coal seam gas exploration projects of Jade Gas Pty Ltd dated 14 September 2020, dated 9 November 2020.
- ▶ 2nd Addendum and Update to RISC's Independent Technical Specialist's Report on the coal seam gas exploration projects of Jade Gas Pty Ltd dated 14 September 2020, dated 4 May 2021.
- ▶ Draft Implementation Agreement;
- ▶ Draft Short Form Sale Offer for Convertible Notes;
- ▶ Draft Short Form Sale Offer for Shares and Options;
- ▶ ASIC Company Extract for Jade Gas Pty Ltd 21 April 2021;
- ▶ Share registry information;
- ▶ Information in the public domain; and
- ▶ Discussions with Directors and Management of HGM and Jade.

16. Independence

BDO Corporate Finance (SA) Pty Ltd is entitled to receive a fee of approximately \$50,000 (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 (SA) 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 (SA) Pty Ltd has been indemnified by HGM in respect of any claim arising from BDO Corporate Finance (SA) Pty Ltd.'s reliance on information provided by the HGM, including the non-provision of material information, in relation to the preparation of this report.

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

Neither the signatory to this report nor BDO Corporate Finance (SA) Pty Ltd, have had within the past two years any professional relationship with HGM, or their associates, other than in connection with the preparation of this report.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of HGM.

A draft of this report was provided to HGM 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 (SA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (SA) 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 person specifically involved in preparing and reviewing this report is David Fechner of BDO Corporate Finance (SA) Pty Ltd. David has significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and was supported by other BDO staff.

David Fechner is a member of Chartered Accountants Australia and New Zealand and a Fellow of the Tax Institute of Australia. He has over thirty five years' experience working in professional accounting services being employed in many areas of accounting including tax, business services, corporate advisory, and forensic accounting services. David Fechner specialises in Business and Corporate Advisory services undertaking valuations of businesses for purposes of compliance (CGT, stamp duty, probate, finance, etc.), mergers & acquisitions (business acquisitions, sales, mergers, partnership admissions/retirements, etc.) and expert reports (litigation support, IPO's, etc.). He has prepared over his tenure in excess of 150 valuation and expert reports. David Fechner is a member of ASIC's Professional Liaison Group and subscribes to the Forensic Accounting and Business Valuation Specialist Interest Group of Chartered Accountants Australia and New Zealand.

18. Disclaimers and consents

This report has been prepared at the request of HGM for inclusion in the Notice of Meeting which will be sent to all HGM Shareholders. HGM engaged BDO Corporate Finance (SA) Pty Ltd to prepare an independent expert's report to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of HGM.

BDO Corporate Finance (SA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (SA) Pty Ltd.

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

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (SA) 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 Jade. BDO Corporate Finance (SA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

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

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed 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 HGM, or any other party.

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

The valuer engaged for the mineral asset valuation, VRM, 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.

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

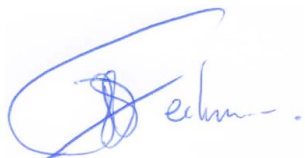
The valuer engaged for the mineral asset valuation, RISC, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer 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 (SA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO Corporate Finance (SA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'D. Fechner', with a large, stylized flourish above the name.

David Fechner
Director

APPENDIX 1 - GLOSSARY OF TERMS

Reference	Definition
ADB	Asian Development Bank
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollar
BDO	BDO Corporate Finance (SA) Pty Ltd
BN Project	Coal seam gas project under the Baraan Naran mining licence area located directly adjacent to the Tavan Tolgoi coal field in the South Gobi region of Mongolia
CAGR	Compound annual growth rate
CBM	Coal bed methane
Consideration Options	68,000,000 HGM options to be issued to the existing shareholders of Jade on a post consolidation basis
Consideration Shares	846,166,667 fully paid ordinary shares issued to Jade Shareholders on a post consolidation basis
Corporations Act	The Corporations Act 2001 Cth
COVID-19	Coronavirus disease 2019
CSG	Coal seam gas
DCF	Discounted cash flow
DRC	Democratic Republic of Congo
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Erdenes	Erdenes Methane LLC
FDI	Foreign direct investment
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GDP	Gross domestic product
ICSG	International Copper Study Group
Jade	Jade Gas Pty Ltd
Jade Group	The Jade Group of companies; Jade Gas Pty Ltd, Jade Gas Mongolia LLC, Jade Methane LLC, Methane Gas Resource LLC
Jade Shareholders	The holders of issued capital and rights to issued capital of Jade
JGM	Jade Gas Mongolia LLC
JM	Jade Methane LLC
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
Khangad	Khangad Exploration LLC
lb	Pound
m	Million

Reference	Definition
Management	Management of HGM
MGR	Methane Gas Resource LLC
MMC	Mongolia Mining Corporation
MNT	Mongolian togrog
MRPAM	Mineral Resources Authority of Mongolia
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
oz	Ounce
PEM	Prospectivity Enhancement Multiplier
Proposed Transaction	The proposal to acquire 100% of the equity in Jade by issuing 4,130,833,335 shares and 340,000,000 options in HGM to Jade Shareholders
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RG 74	Acquisitions approved by Members (December 2011)
RISC	Risc Advisory Pty Ltd
Section 611	Section 611 of the Corporations Act
Share Consolidation	1 for 5 consolidation of HGM's capital
Shareholders	Shareholders of HGM not associated with Jade
t	Tonne
The Act	The Corporations Act 2001 Cth
The Company	High Grade Metals Limited
Tm ³	Trillion cubic metres
TT CBM Project	Coal seam gas project located in the Tavan Tolgoi coal field in the South Gobi region of Mongolia
U.S. Geological Survey	United States Geological Survey
US	United States
USD	United States dollar
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
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.
VAT	Value Added Tax
VRM	Valuation and Resource Management Pty Ltd
VWAP	Volume Weighted Average Price



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APPENDIX 2 - VALUATION METHODOLOGIES

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

1. Net asset value ('NAV')

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

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

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

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

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

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

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

2. Quoted Market Price Basis ('QMP')

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



VRM

Valuation & Resource Management

INDEPENDENT TECHNICAL ASSESSMENT & VALUATION REPORT

Presented To:

High Grade Metals Limited



Date Issued:

4 May 2021



Document Reference	BDO HGM Valuation Report 04052021

Distribution	BDO Corporate Finance (SA) Pty Ltd High Grade Metals Limited Valuation and Resource Management Pty Ltd

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Date: 4 May 2021

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Valuation Date	31 March 2021

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Executive Summary

BDO Corporate Finance (SA) Pty Ltd (BDO) engaged Valuation and Resource Management Pty Ltd (VRM) to prepare an Independent Technical Assessment and Valuation report (ITAR or the Report) on the gold and base metal assets in Austria of High Grade Metals Pty Ltd (High Grade Metals or the Company).

This Report is a public document, in the format of an ITAR and is prepared in accordance with the guidelines of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets – The VALMIN Code (2015 edition) (VALMIN). VRM understands that BDO will include the Report in an Independent Expert's Report (IER) relating to a proposed transaction by High Grade Metals.

This Report relates to four gold and four cobalt exploration projects, in south-central Austria and all 100% attributable to High Grade Metals.

The Report includes a technical evaluation of the exploration and potential within project licences and a market value of these mineral assets. In accordance with VALMIN, VRM has applied several valuation methods to determine the value for the exploration properties. Importantly, as neither the principal author nor VRM hold an Australian Financial Services Licence (AFSL), this valuation is not a valuation of High Grade Metals, but rather a valuation of their mineral assets. The valuation is current as of 31 March 2021. As commodity prices, exchange rates and cost inputs fluctuate this valuation is subject to change over time. The valuation derived by VRM is based on information provided by High Grade Metals along with publicly available data including Australian Securities Exchange (ASX) releases and public data obtained from other sources.

VRM has undertaken suitable checks, enquiries, analyses and verification procedures to meet the VALMIN requirements for the soundness of inputs that lead to the conclusions drawn in the Report. The opinions and statements in the Report are given in good faith and under the belief that they are accurate and not false nor misleading. The default currency is Australian dollars (unless otherwise stated). As with all technical valuations the valuation in this Report is the likely value of the mineral Properties and not an absolute value. A range of likely values for the various mineral assets is provided with that range indicating the accuracy of the valuation.

VRM understands that BDO will refer to, and rely on, the VRM report and mineral asset valuations which will be attached to its IER to inform the High Grade Metals shareholders as to the fairness and reasonableness of the proposed transaction.

High Grade Metals Properties - Austria

The Austrian gold properties comprise the Schellgaden Project (North and South), the Goldeck-Sifflitz Project and the Kreuzeck East and West Projects covering 164 square kilometres, within the Tauern Window of the Eastern Alps. The Kreuzeck West and Goldeck-Sifflitz projects contain some early stage gold targets, while the Schellgaden projects have returned disappointing drilling results to date.

The Austrian cobalt properties include the Gratlspitz, Leogang, Zinkwand and Seekar project areas over an area of 92 square kilometres, in the Leogang area of the Schwarzleo Valley. The Leogang project is an early stage target for nickel-cobalt.

As at the valuation date there have been no reported Mineral Resources or Ore Reserves estimates for the claim areas in Austria. It is the opinion of VRM that initial exploration activity is justified given the mineral endowment and historical mines and prospects of the region, as well as to follow up results of previous exploration by other companies.

This report documents the technical aspects of the High Grade Metals Properties in Austria, along with determining a valuation for the Properties, applying the principles and guidelines of the 2015 VALMIN Code.

Conclusions

The Austrian portfolio assembled by High Grade Metals demonstrates potential for gold and cobalt mineralisation. In VRM's opinion, the mineral assets owned by High Grade Metals in Austria comprising the Schellgaden North and South, Goldeck-Siflitz, and the Kreuzeck East and West Gold Projects and the Gratlspitz, Leogang, Zinkwand and Seekar Cobalt Projects have a market value of between \$0.98 million and \$2.47 million with a preferred mineral asset valuation of \$1.72 million.

1. Introduction

Valuation and Resource Management Pty Ltd (VRM), was engaged by BDO Corporate Finance (SA) Pty Ltd (BDO) to undertake an Independent Technical Assessment and Valuation Report (Report or ITAR) on the Austrian gold assets of High Grade Metals Pty Ltd (ASX: HGM) (High Grade Metals).

VRM understands that this ITAR will be included in the Independent Experts Report (IER) being prepared by BDO. BDO will refer to, and rely on, the VRM report and mineral asset valuations which will be attached to its IER to inform the High Grade Metals shareholders as to the fairness and reasonableness of the proposed transaction.

1.1. Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides

The ITAR is prepared applying the guidelines and principles of the 2015 VALMIN Code and the 2012 JORC Code. Both industry codes are mandatory for all members of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). These codes are also requirements under Australian Securities and Investments Commission (ASIC) rules and guidelines and the listing rules of the Australian Securities Exchange (ASX).

This ITAR is a Public Report as described in the VALMIN Code (Clause 5) and the JORC Code (Clause 9). It is based on, and fairly reflects, the information and supporting documentation provided by High Grade Metals and associated Competent Persons as referenced in this ITAR and additional publicly available information.

1.2. Scope of Work

VRM's primary obligation in preparing mineral asset reports is to independently describe mineral projects applying the guidelines of the JORC and VALMIN Codes. These require that the Report contains all the relevant information at the date of disclosure, which investors and their professional advisors would reasonably require in making a reasoned and balanced judgement regarding the projects.

VRM has compiled the valuation based upon the principle of reviewing and interrogating both the documentation of High Grade Metals and other previous exploration within the area. This Report is a summary of the work conducted, completed and reported by the various explorers to 31 March 2021 based on information supplied to VRM by High Grade Metals and other information sourced in the public domain, to the extent required by the VALMIN and JORC Codes.

VRM has prepared an Independent Valuation of the Schellgaden, Goldeck-Sifflitz, Kreuzeck East and Kreuzeck West projects. VRM understands that its reviews and valuations will be relied upon and appended to an IER prepared by BDO for inclusion in a notice of meeting, to assist High Grade Metals shareholders in their decision regarding the approval of the proposed transaction. As such, it is understood that VRM's review and valuation will be a public document.

1.3 Statement of Independence

VRM was engaged to undertake an ITAR on the mineral assets of High Grade Metals. This work was conducted applying the principles of the JORC and VALMIN Codes, which in turn reference ASIC Regulatory guide 111 Content of expert reports (RG111) and ASIC Regulatory guide 112 Independence of experts (RG112).

Ms Deborah Lord of VRM has not had any association with High Grade Metals, their individual employees, or any interest in the securities of High Grade Metals, which could be regarded as affecting her ability to give an independent, objective and unbiased opinion. Neither VRM, nor Ms Lord hold an AFSL and the valuation contained within this Report is limited to a valuation of the mineral assets being reviewed. VRM will be paid a fee for this work based on standard commercial rates for professional services. The fee is not contingent on the results of this review and is estimated at \$30,000 (plus GST).

Mr Paul Dunbar of VRM assisted with compilation of the comparable transactions and valuation of the mineral assets. Mr Dunbar has not had any association with High Grade Metals, their individual employees, or any interest in the securities of High Grade Metals, which could be regarded as affecting his ability to give an independent, objective and unbiased opinion.

1.4 Competent Persons Declaration and Qualifications

This Report was prepared by Ms Deborah Lord as the primary author and peer reviewed by Mr Paul Dunbar.

The Report and information that relates to technical assessment of early-stage and advanced exploration projects and the mineral asset valuation is based on information compiled by Ms Deborah Lord, BSc (Hons), a Competent Person who is a fellow of the AusIMM and a member of the AIG. Ms Lord is a Director and Principal of VRM, Consultants in Valuation and Economic Geology, and has sufficient experience, which is relevant to the style of mineralisation, geology and type of deposit under consideration and to the activity being undertaken to qualify as a competent person under the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the 2012 JORC Code) and a VALMIN Practitioner. Ms Lord consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Between the 31 March 2021 and the date of this Report, nothing has come to the attention of VRM that would cause any material change to the conclusions.

1.5 Reliance on Experts

Ms Lord, the author of this report is not qualified to provide extensive commentary on the legal aspects of the mineral properties or the compliance with the legislative environments in Austria. VRM has interrogated websites of several companies and reviewed reports relating to Properties to confirm the local tenure system and aspects relating to required rents. VRM requested information to be supplied by High

Grade Metals to verify security of tenure and where this has not been provided has highlighted these instances, as discussed further in the tenements section below.

For the High Grade Metals Properties VRM has relied upon the following reports and information:

- Various ASX releases, publicly available information and regional datasets, including from Austrian government agencies.
- Exploration reports and presentations from High Grade Metals that reference previous exploration work in the area.

1.6 Sources of Information

All information and conclusions within this report are based on information made available to VRM to assist with this report by High Grade Metals and other relevant publicly available data to 31 March 2021. Reference has been made to other sources of information, published and unpublished, including government reports and reports prepared by previous interested parties and Joint Venturers to the areas, where it has been considered necessary. VRM has, as far as possible and making all reasonable enquiries, attempted to confirm the authenticity and completeness of the technical data used in the preparation of this Report and to ensure that it had access to all relevant technical information. VRM has relied on the information contained within the reports, articles and databases provided by High Grade Metals as detailed in the reference list. A draft of this Report was provided to High Grade Metals, via BDO to identify and address any factual errors or omissions prior to finalisation of the Report. The valuation sections of the Report were not provided to High Grade Metals until the technical aspects were validated and the Report was declared final.

1.7 Site Visit

No specific site visit has occurred as a part of this Report or valuation. At the time of preparing this report, travel restrictions due to the global COVID-19 pandemic restrict domestic and international travel from Western Australia. Given the documentation relating to a recent site visit by High Grade Metals personnel to the Properties and that these are at an early stage of exploration, VRM is satisfied that a site visit would not provide any additional material information that would modify the opinion or valuation of the Properties.

2. Mineral Assets

This Report details the combined existing High Grade Metals Projects (Figure 1) consisting of four gold projects (Figure 2) and four cobalt projects (Figure 3) located in Austria. The projects are held through High Grade Metals wholly owned subsidiary Austrian Project Corporation Pty Ltd (APC). The subsidiary owners of the projects are APC Gold, APC Cobalt and APC Eurocan. APC Cobalt GmbH holds the cobalt assets, APC Gold GmbH controls Eurocan Mining GmbH (Eurocan) that holds the gold assets. Both APC Cobalt GmbH and APC Gold GmbH are 100% subsidiaries of APC. Eurocan is a 100% subsidiary of APC Gold GmbH.

Quest Minerals Ltd (Quest) (to be renamed High Grade Metals Ltd) issued a Prospectus on 30 January 2018 (HGM, ASX release dated 30/01/2018 and 06/03/2018) that included a detailed independent geologist's report and a solicitor's report on title that VRM has reviewed and in the case of the solicitor's report placed some reliance on it in relation to tenure as discussed further below.

VRM understands that mining concessions in Austria are governed by the Mineral Raw Material Act of 1999. According to Global Resources and Infrastructure Pty Ltd (GRI) (HGM, ASX release dated 30/01/2018) an exploration permit (or '*Schurfberechtigung*') allows the holder to explore for 'free to mine' minerals ('*Bergfreie*'). Each permit comprises a circular area ('*Freischürfe*') with a radius of 425m, covering 0.567 square kilometres and are typically arranged in an overlapping pattern to form a continuous lease package. The solicitor's report on title within the abovementioned prospectus, included title confirmation for most of the licence areas at that date.

VRM compared the tenure list in the solicitor's report with the most recent tenement schedule reported by High Grade Metals as at 30 April 2020 (HGM, ASX release dated 30/04/2020). At the time of the solicitor's report, most licences were included apart from 54 concessional areas that relate to Schellgaden North, 33 concessional areas at Leogang (HGM, ASX release dated 18 April 2018) and 81 concessional areas at Gratlspitz. VRM notes these have been acquired since the prospectus listing and understands that all leases remain in good standing. The right to conduct mining activities requires a separate legal process to obtain a mining licence ('*Bergwerksberechtigung*').

It is noted that the concessional areas initially remained valid until 31 December 2019. According to the solicitor's report an extension for a further five years could be applied for, provided that annual exploration activities reports lodged by the holder are approved by the Mining Authority for each of the preceding five years. VRM understands that High Grade Metals has completed this process of renewal and the concessional areas have been extended to 31 December 2021, 2022 and 2024. The tenements that currently constitute the combined High Grade Metals Projects are detailed in Appendix A while Figure 2 and Figure 3 show the location and regional geology of the properties.

High Grade Metals has conducted exploration on some of the project areas and in 2019 commissioned a two-month study of the areas to re-assess the geological potential of the licence areas and delineate

targets for further work. Five areas were selected to form the focus of ongoing work and some areas were correspondingly downgraded. VRM has reviewed this two-month study to inform the basis of its valuation.

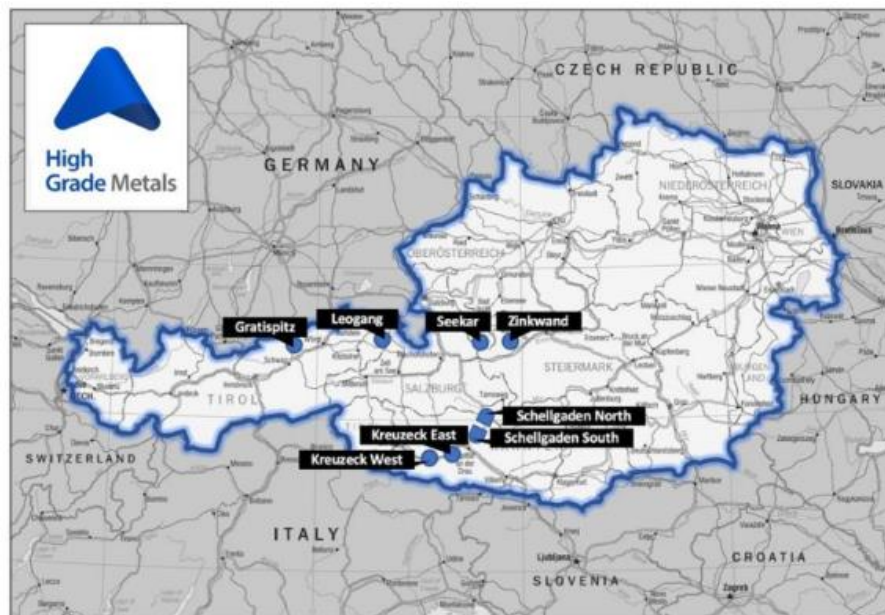


Figure 1 Location of the High Grade Metals licence areas in Austria

Source: High Grade Metals ASX release 30 July 2019

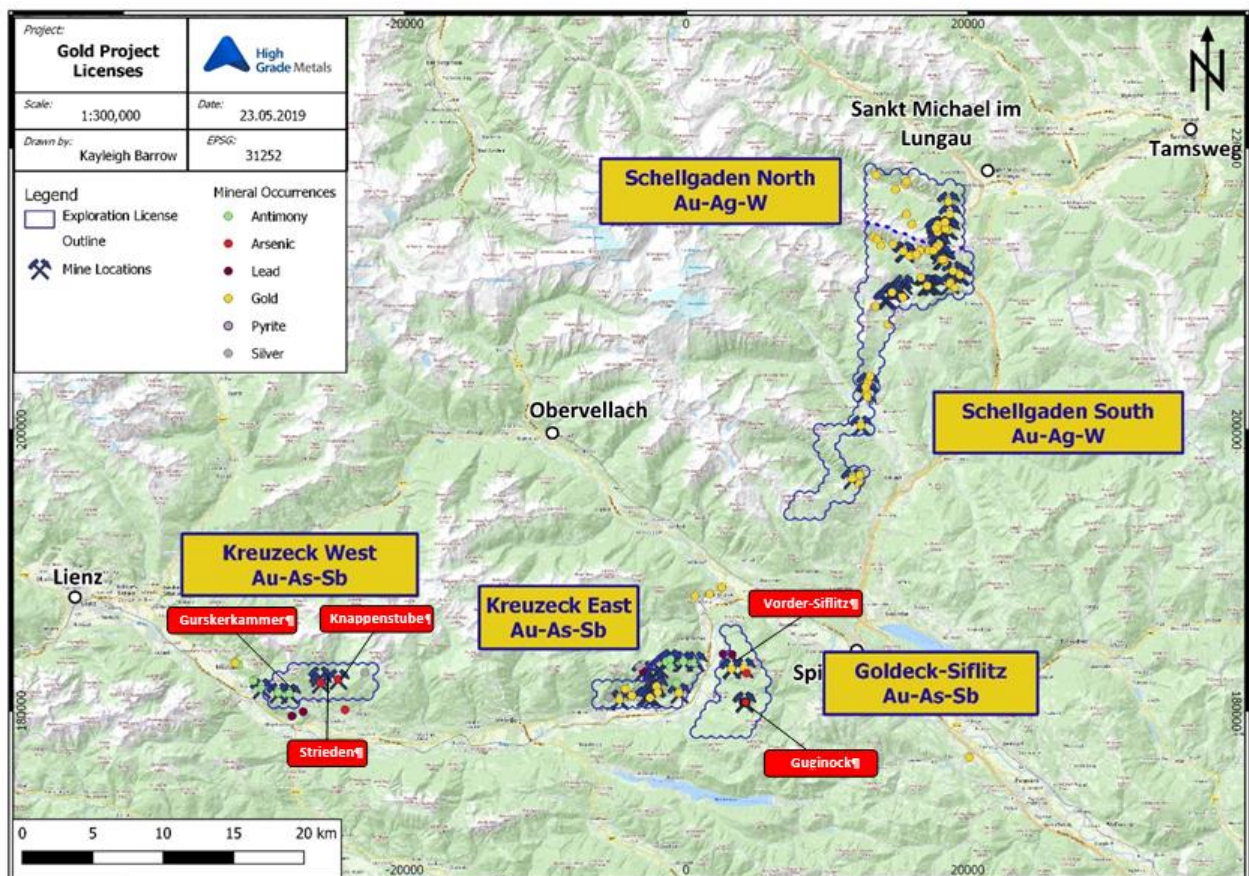


Figure 2 Location of the High Grade Metals Gold licence areas

Source: High Grade Metals

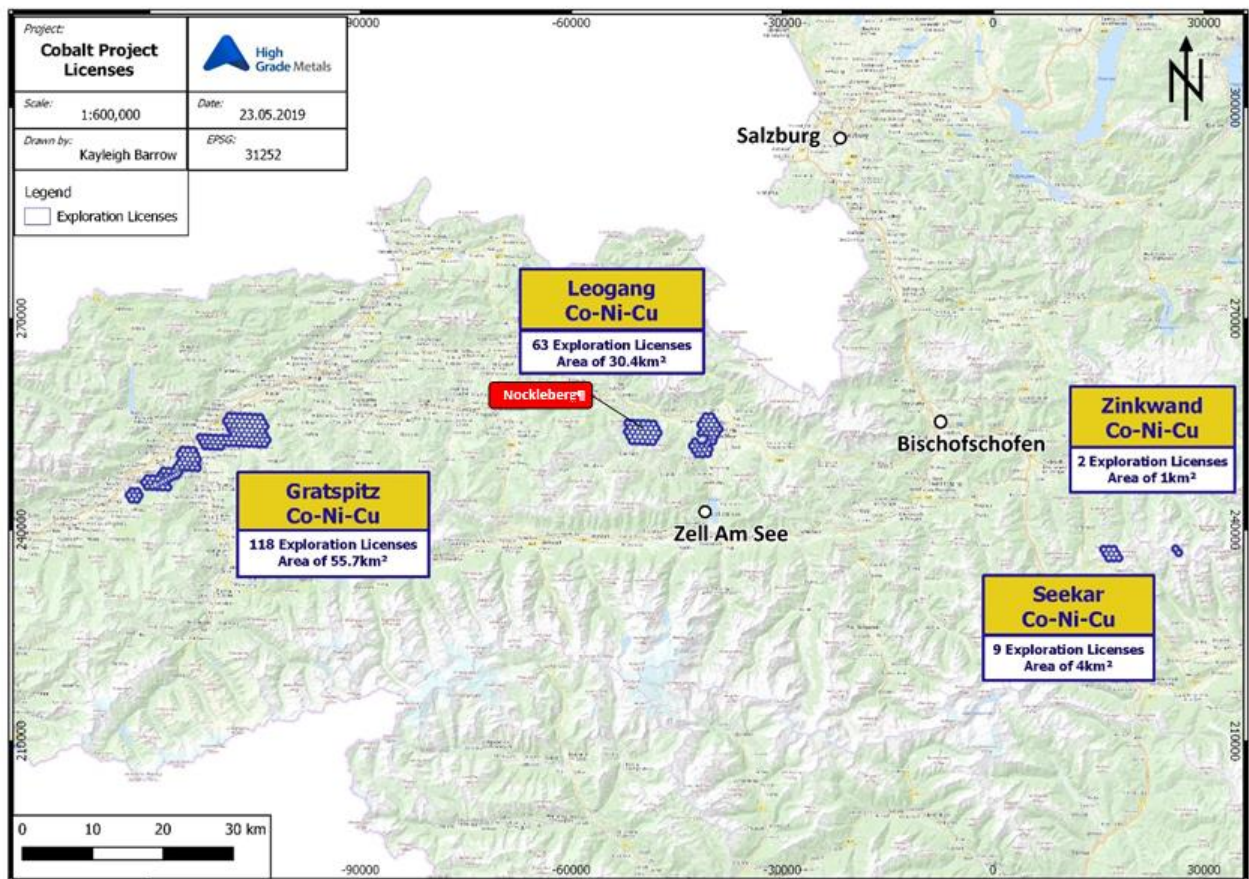


Figure 3 Location of the High Grade Metals Cobalt licence areas
Source: High Grade Metals

2.1 Existing Austrian Gold Properties

The Austrian gold properties comprise the Schellgaden Project (North and South), the Goldeck-Sifflitz Project and the Kreuzeck East and West Projects covering several groups of concessional circles ('Freischürfe') over 164 square kilometres (Figure 2). These occur within the Tauern Window, a feature of the Eastern Alps. Alpine areas can be affected by heavy snowfalls from mid-October and altitudes less than 1750m are snow free by mid-April, with the intervening period being the best weather in which to conduct field activities.

The properties have a 2.5% Net Smelter Royalty (NSR), payable up to a cumulative total of US\$2,500,000 is reached. After that no royalties are payable.

Access to the Kreuzeck West, Kreuzeck East and Goldeck-Sifflitz Projects is via the Lind-Drau valley which form the focus of major regional transport systems including rail, the E66 and B100 roadways as well as local roads. Schellgaden access is via the Tauern Autobahn A10, a major European motorway with mountain tunnels through several passes. Locally access is gained via the Mur Valley and Katchberg Pass roads, as well as smaller community and forestry roads.

Kreuzeck West Project

The Kreuzeck West area contains two of the identified targets for further exploration. The Project is in the Kreuzeck-Goldeck Mining District within the administrative state of Carinthia, immediately north of the Drau Valley at Oberdrauburg and extending nine kilometres east-west (Figure 2). The project area is made up of 44 concessional circles covering approximately 20 square kilometres.

The geology of the area is made up of the Cambrian-Ordovician aged Kreuzeck Group Complex that forms part of the Austroalpine crystalline basement consisting of polymetamorphic schists and quartzites. Mineralisation locally corresponds to two east-west trending belts of meta-basite that relate to areas of previous workings and observed mineralisation.

The Gurskerkammer prospect is situated about two kilometres east of the historic Rabant stibnite mine (Figure 4) that operated between 1894 and 1916 and was mined for antimony. Documentation of historical prospecting is limited but demonstrated that high gold and arsenic values were returned from underground sampling, up until 1989. High Grade Metals have not attempted to access underground working for any modern sampling or mapping programs. A 1995 exploration program was proposed by previous owners but was not permitted by BBU, a state-owned mining company.

The Strieden and Knappenstube Prospects relate to gold and stibnite mineral deposits in the north eastern part of the Kreuzeck West Project. Mineralisation is documented as stratabound massive sulphide units within quartzitic mica schists lithologies. The historic Knappenstube mine (Hermi-Stollen) remains accessible and is approximately 250m in strike length. The Strieden mine is no longer accessible due to collapse and water ingress. Historical exploration records note elevated gold values from surface rock chips. More recent exploration by Minerex comprised a 1983 geophysical Self Potential (SP) survey across 32 lines and a 400-sample geochemical soil survey. Nine holes were proposed to follow up the results of these surveys but were not carried out.

The High Grade Metals review proposed that surface and, where possible, underground mapping be undertaken along with rock chip sampling to better understand the geological setting. Geophysical and geochemical surveys could be evaluated and if required additional surveys conducted to refine drill hole targeting. Permitting will be required to carry out this work.

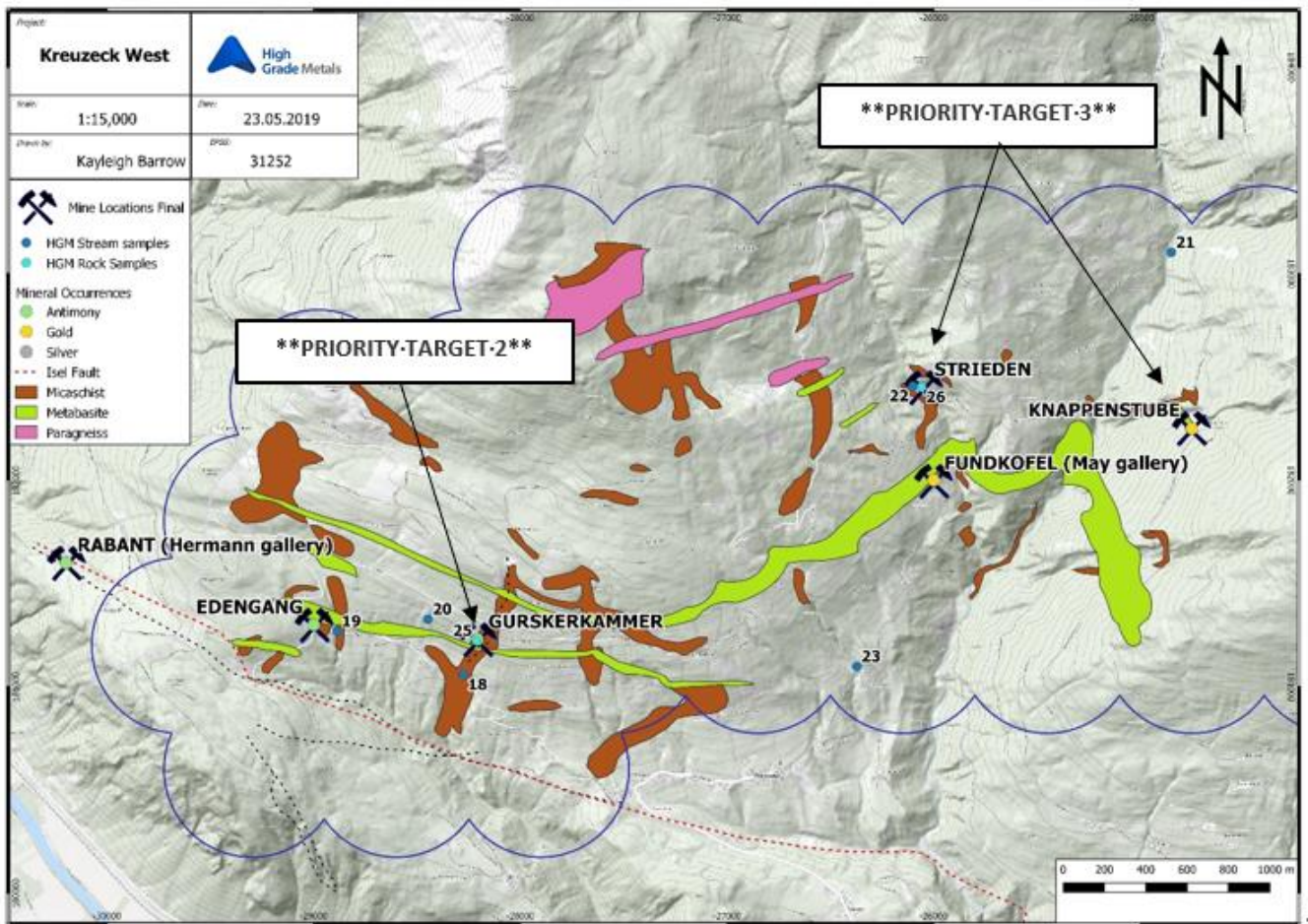


Figure 4 Location of the Gurskerkammer, Strieden and Knappenstube Prospects in the Kreuzeck West Project
Source: High Grade Metals

Kreuzeck East Project

The Kreuzeck East Project is within the administrative state of Carinthia and includes two historic mining districts of Lengholz (gold) and the Lessnig-Radlberg stibnite deposit (Figure 5). The project area is made up of 42 concessional circles covering approximately 19 square kilometres.

Historical workings and occurrences occur across the project with targets for exploration also relating to the Goldeck-Siflitz Project located to the east of the valley. Gold mineralisation is generally hosted by metamorphic schists. A polymetallic sulphide association is noted by previous authors, dominated by arsenopyrite, with pyrite, galena, Ag-tetrahedrite and bismuth.

Goldeck-Siflitz Project

The Goldeck-Siflitz Project contains numerous mineral occurrences and is located in the Drau River Valley, two kilometres south of High Grade Metals core storage facilities at Mollbrucke (Figure 5). The project area is made up of 57 concessional circles covering approximately 26 square kilometres.

The Project incorporates the historical gold workings of the Guginock mine, as well as numerous other mineral occurrences. Host rocks include phyllitic mica schists and marbles that are in fault / shear contact

with brecciated calc-schists. The Guginock area was prospected in the 1920s and more recently was explored in the 1980s by an Austrian government agency identifying partly coincident gold, arsenic and tungsten anomalies. In 1995 Argosy Mining Corporation undertook drilling immediately east and west of the mine and results are reported to have downgraded the potential. In 1988, Minerex carried out stream sediment sampling and anomalous gold, tungsten, arsenic and antimony results suggest a possible easterly mineralisation extension which forms Target 4 - East Guginock target (Figure 6).

High Grade Metals collected stream sediment samples through the region, and the Vorder-Siflitz area was also highlighted based on anomalous results for further investigation (Figure 6).

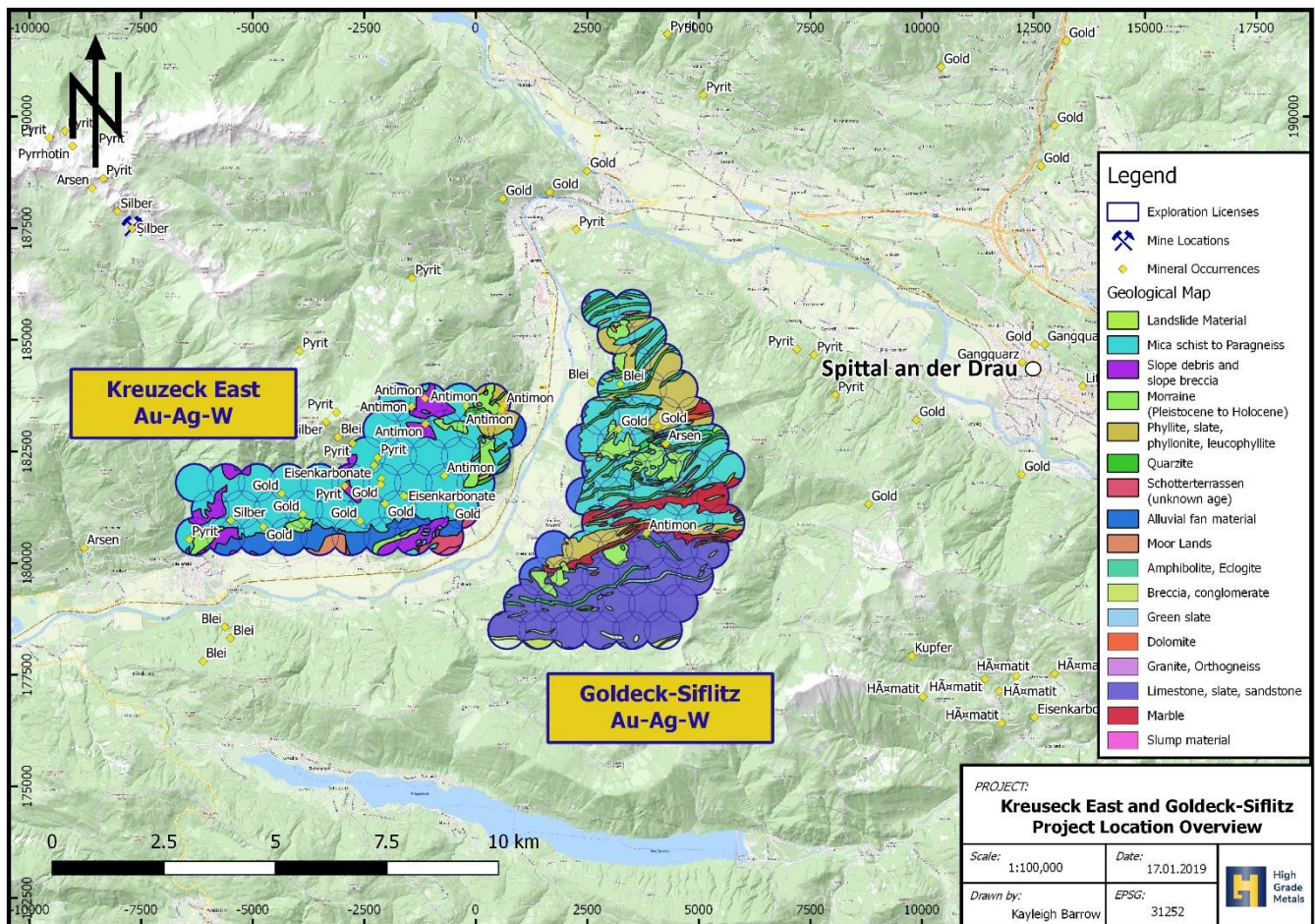


Figure 5 Location of the Kreuzeck East and Goldeck-Siflitz Projects

Source: High Grade Metals

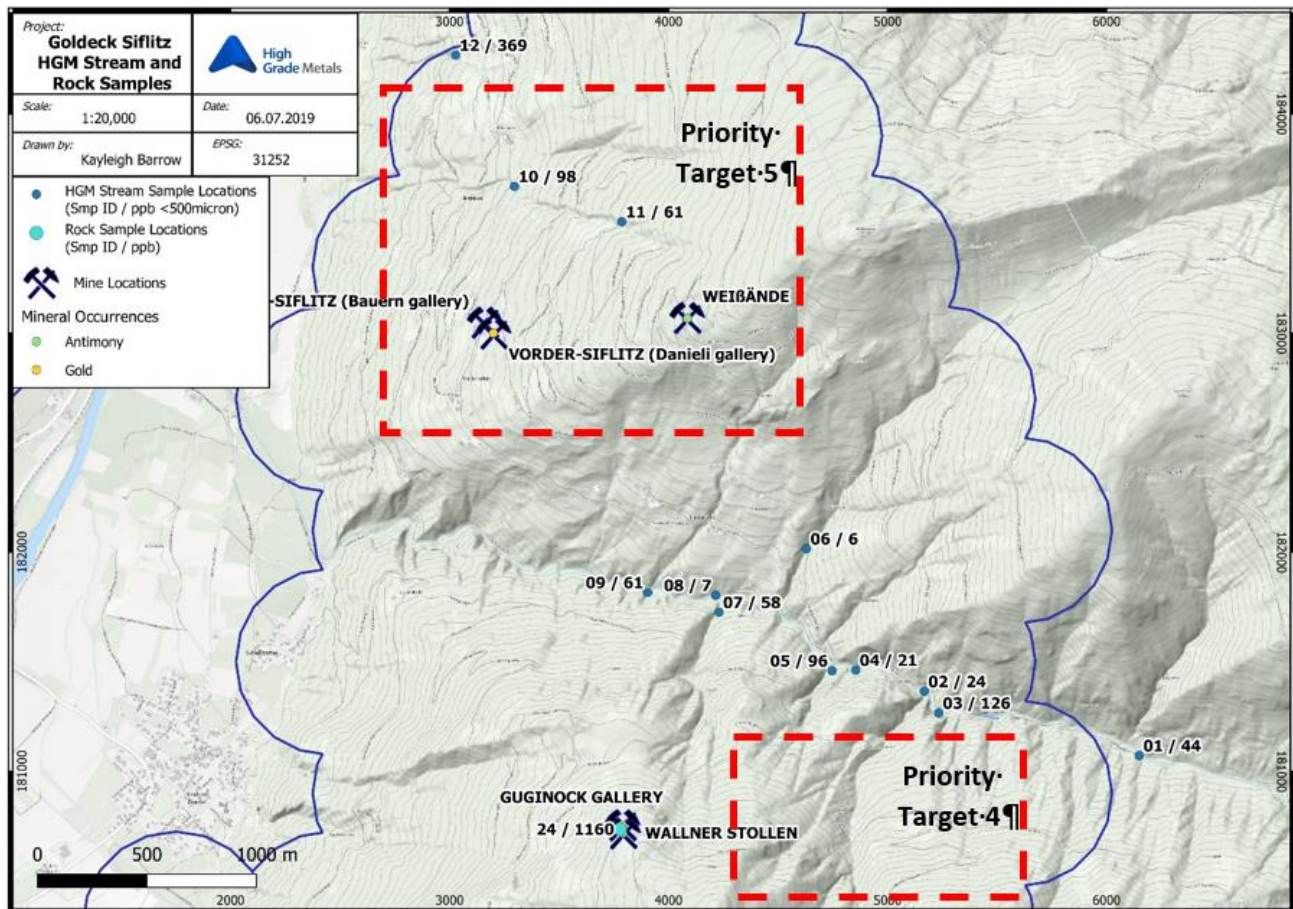


Figure 6 Location of the East Guginock and Volder-Sifflitz Prospects in the Goldeck-Sifflitz Project

Source: High Grade Metals

Schellgaden Project

The Schellgaden Project area is made up of 218 concessional circles covering almost 100 square kilometres. The Schellgaden North Project is within the upper Mur Valley, County of Lungau in the administrative state of Salzburg. The project is located in one of the richest gold mining districts of Austria and includes the Stüblbau and smaller Schulterbau historical mines dating to the 12th century (Figure 7).

Historical exploration conducted at Schellgaden North included channel sampling with collection of 133 samples cut by hand-held electric diamond saw, which proposed a multi-layered gold horizon model that was tested by previous owners Argosy Minerals in the period 1995-1997 with 4 drill holes. Two additional holes were drilled subsequently by Eurocan, one to 295m in 1997 and another in 2008/09. Documentation of this exploration is limited, and data reliability is uncertain.

In 2018 High Grade Metals conducted initial exploration, including underground and surface mapping, sampling and 3D surveying and geological modelling at Schellgaden North. On this basis it released an Exploration Target estimate as at 23 May 2018 for the property (HGM ASX release dated 23 May 2018) and proposed a six-hole drilling program over the area that commenced in October 2018.

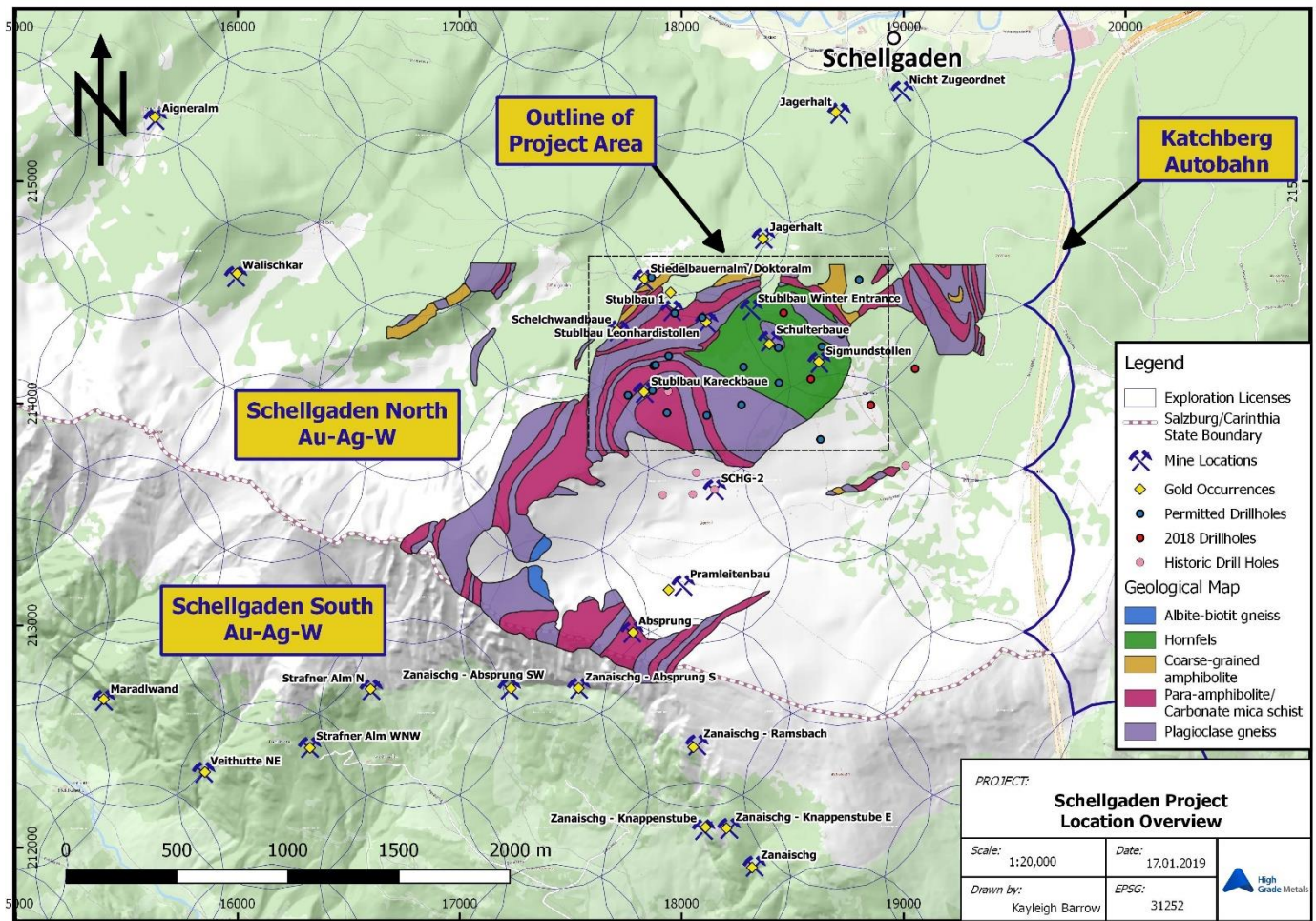


Figure 7 Location of the Stüblbau and Schutterbaue Prospects in the Schellgaden North Project

Source: High Grade Metals

Drilling comprised four vertical diamond holes targeting 300m depth (Figure 8), with most getting close to that target and one ending at 236m depth. Drilling results were not as anticipated with the location of the holes suggesting that the main mineralisation sequences may occur at greater depths than the model predicted.

The holes were analysed for Au, Ag, Cu, Pb, Zn and W, on a one metre basis with no significant assay results returned (HGM ASX release dated 22/02/2019). This resulted in High Grade Metals re-evaluating the previously stated Exploration Target.

Ongoing data compilation and review resulted in an announcement on 29 April 2019 stating that the previously reported exploration target of 2018 no longer reflects the nature of the targeted mineralisation and cannot be relied upon. The most recent exploration review conducted by High Grade Metals concluded that Schellgaden North drilling had downgraded the prospect and that ongoing exploration will be costly and best supported by a partner.

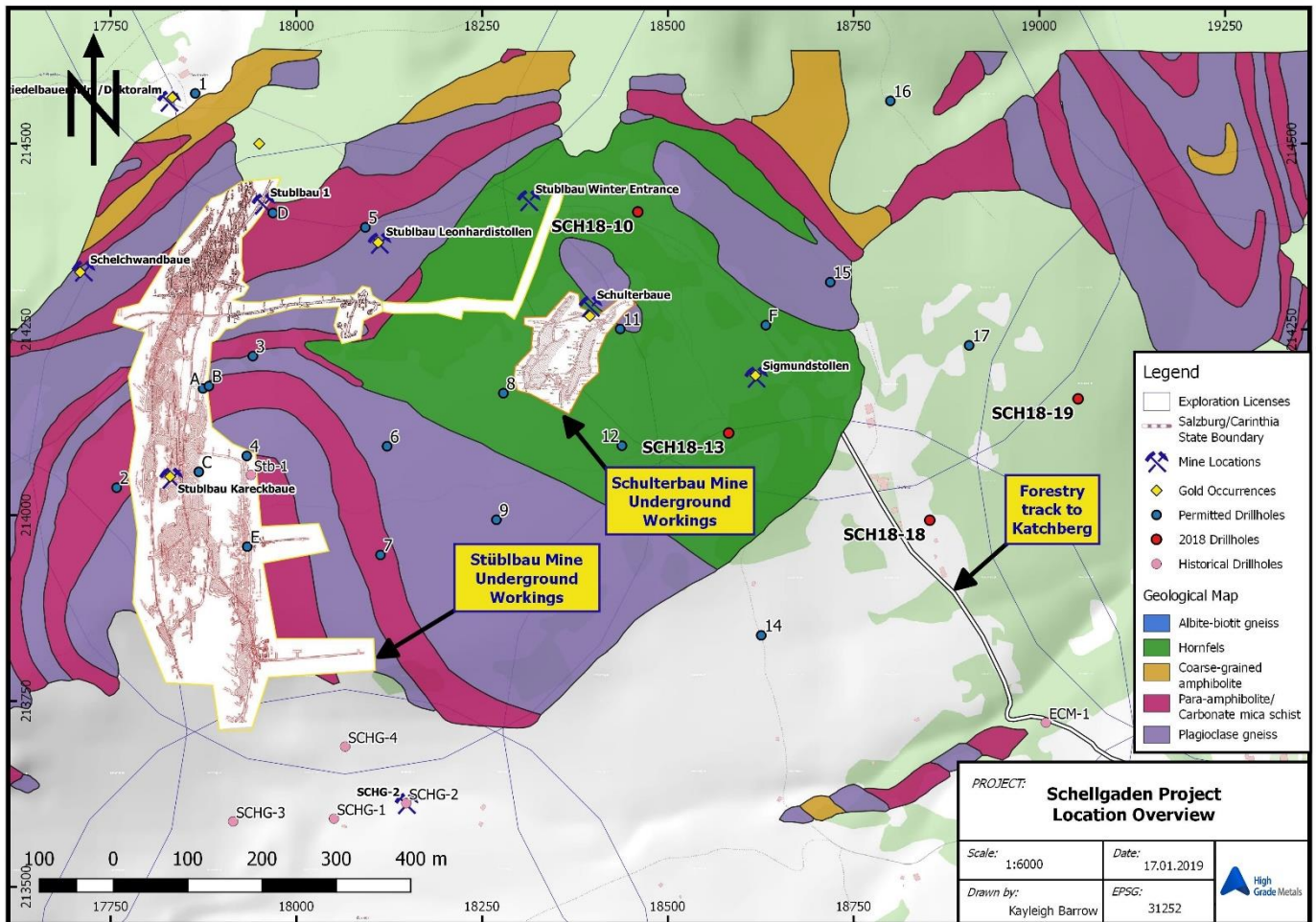


Figure 8 Location of drill holes (red completed, blue permitted) at the Schellgaden North Project

Source: High Grade Metals ASX release 22 February 2019

VRM notes that vertical holes may not be optimally oriented to intersect the Stüblblau workings at depth according to the above figure. The Quest Prospectus of 30 January 2018 reports that single individual strata-bound mineralised layers occurring within the mineralised Kareck Series are strongly folded and intercalated with otherwise flat schist layers. These Kareck Series units are noted to dip shallowly (10 to 30 degrees) to the east based on schematic cross sections, however if this interpretation is not correct or for example the mineralisation dips more steeply then the holes drilled to date may not have adequately tested the target. Structural analysis of the holes may assist in understanding the orientations in this complex area.

The Schellgaden South Project is within the administrative state of Carinthia, and while less explored than Schellgaden North, is still noted to host many historic gold occurrences (refer Figure 2). It covers the southern extension of the mineralised Schellgaden North mineralised trend.

2.2 Existing Austrian Cobalt Properties

The Austrian cobalt properties include the Gratlspitz, Leogang, Zinkwand and Seekar project areas over an area of 92 square kilometres, delineated by 192 concessional circles (Figure 3). The Leogang area in the Schwarzleo Valley represents an historic nickel-cobalt mining area dating back to the mid-17th century.

There is no further work recommended for the Zinkwand and Seekar properties because these two areas of considered either too small, remote or covered with tourist attractions that High Grade Metals consider would render these areas too difficult to obtain permits for mining. VRM understands that High Grade Metals intends to relinquish these licences at the next leasing period and therefore discussion of these projects is limited.

Leogang Project

The Leogang area is considered the highest priority target for ongoing work based on the 2019 review. The Project is in the Zell am See District within the Federal State of Salzburg, 3km west of the town of Leogang and 11km west of Saalfelden (Figure 9). The project area is made up of 30 concessional circles covering almost 15 square kilometres in the main area surrounding the historical Nöckelberg Mine, now consisting of mine dump remains and traces of collapsed underground adits in an area now used as forest / mountain pasture. Another licence area occurs to the east of Leogang consisting of 33 concessional areas covering approximately 15 square kilometres.

Access to the project is via roadways along the valleys, with roads B311 and B164 providing sealed road access from the towns of Leogang and Saalfelden. The area is popular for winter sports and summer mountain hiking.

The geology of the area comprises greywacke sediments of the calcareous alps, north of the Tauern window. Carbonates and schists units are thrust stacked with mineralisation comprising polymetallic Cu-Ni-Co-Hg-Ag developed in the carbonate host rocks.

Mining commenced around 1700 until 1812 and was reopened from 1850 to 1906 and again in 1915 to 1919, with the ore horizon reported to extend over 1.5 kilometres, but of which mining development only extends 800m. A review of the geological potential was conducted in the 1970's, prior to High Grade Metals acquiring the project.

Initial exploration by High Grade Metals comprised detailed geological mapping and sampling of previous waste dumps. On the basis of this program, High Grade Metals released an Exploration Target estimate as at 30 March 2018 for the property (HGM ASX release dated 5 April 2018) and commenced a geophysical program over the area which were reported to support the previous understanding.

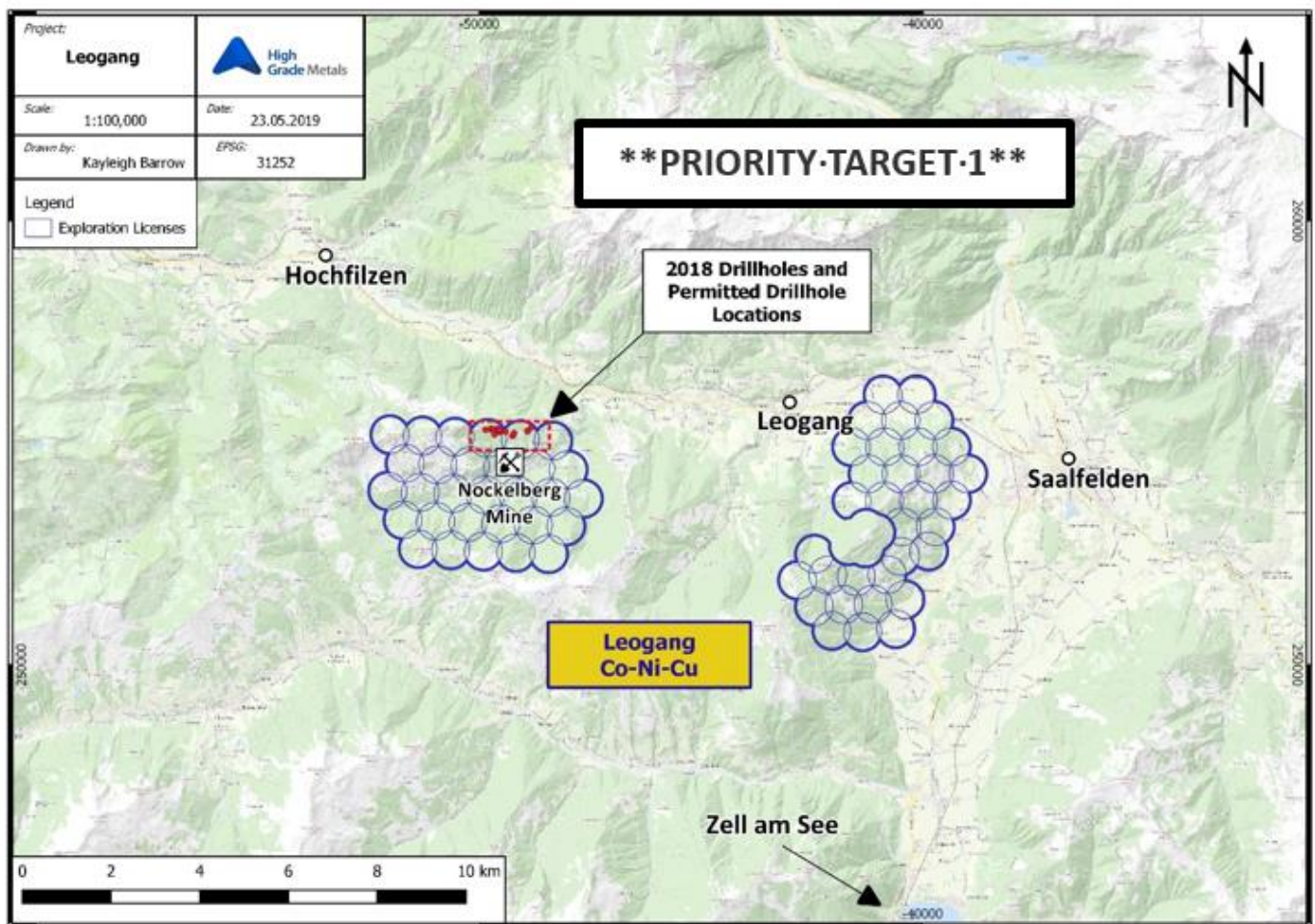


Figure 9 Location of the High Grade Metals Nöckelberg Prospect in the Leogang Project

Source: High Grade Metals

Follow up drilling was conducted with four inclined diamond holes drilled for 468m completed in 2018 (Figure 10), with one hole abandoned at 100m depth, and another at the same location also stopped at 76m depth but one hole extending to almost 250m and another reaching target at 42m. Subsequent interpretation suggests that the mineralised layer being targeted has not yet been drill tested by this program (HGM ASX release dated 22/03/2019). However, an announcement on 29 April 2019 noted that ongoing compilation work no longer supported the previously stated exploration target of 2018 and this could no longer be relied upon.

The most recent exploration review conducted by High Grade Metals recommended further work to continue evaluation of the targeted NW-dipping mineralised horizons and potentially other exploration targets in the area with stream sediment sampling suggested. Additional geophysical programs were proposed to better define the mineralised horizon and follow up drilling may require additional governmental permitting. No recent exploration has been conducted.

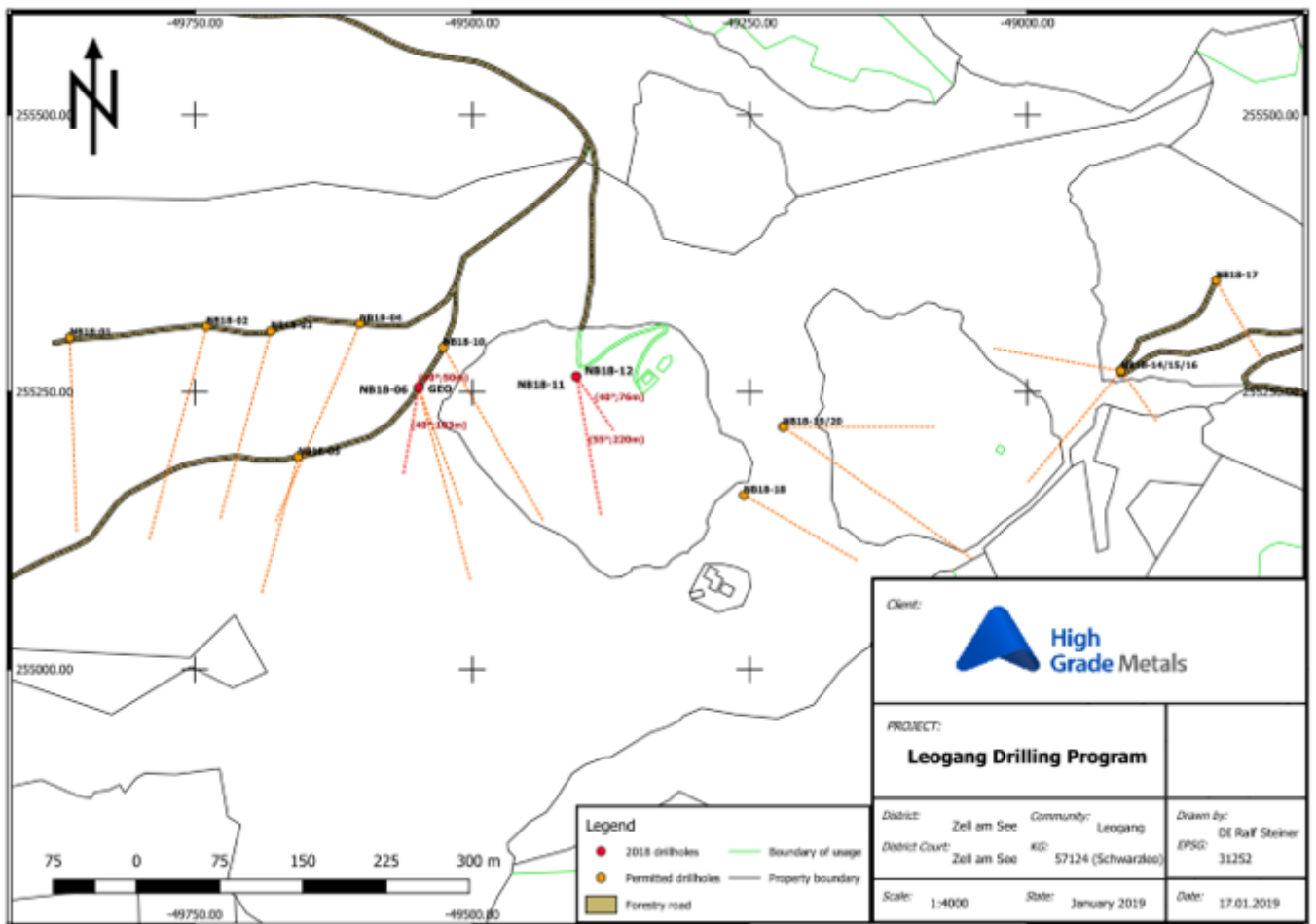


Figure 10 Location of drill hole traces (red completed, orange permitted) at the Nöckelberg Prospect in the Leogang Project

Source: High Grade Metals

Gratlspeitz Project

The Gratlspeitz area is considered a target based on the presence of historical workings. The Project is in the Kufstein District within the Federal State of Tyrol (refer to Figure 1), immediately east of Brixlegg (population 3,000) and 15km north of Schwaz (commercial centre, population 15,000). The project area is made up of 118 concessional circles covering approximately 57 square kilometres, with elevations mostly from 700m to 1100m apart from the far southeast where it rises to 1800m. Access to the project is provided with the E45 autobahn and railways which connect towns in the region. Brixlegg is the location of Austria's only copper production with a company smelting recycled materials.

Historically the Schwaz-Brixlegg mining district produced silver in medieval times, and subsequently also copper and cobalt. Cobalt mineral occurrences are present in three areas within the concession, being the Silberberg, Geyer and Gratlspeitz localities with analyses of dump material returning elevated Ni (up to 0.98%) and Co (up to 1.38%) as well as Cu and Ag anomalism. High Grade Metals report that further investigation of archival material is required to get a better understanding of historical data and to plan exploration accordingly. Mineralisation is dolomite hosted and the Company has interpreted it to represent Mississippi Valley style.

Zinkwand Project

The Zinkwand area has historical cobalt workings on the northern and southern faces of the Zinkwand Mountain at altitudes of 2,200 to 2,440 metres. The Project (refer to Figure 3) is situated on the boundary of the Federal States of Salzburg and Styria, 15km south of the town of Schladming. The project area is now made up of two concessional circles covering approximately one square kilometre. Historical mining locations date back to medieval times and workings are reported to have focussed on silver, cobalt and nickel. The recent study by High Grade Metals concluded that Zinkwand is considered either too small, remote or covered with tourist attractions to warrant further exploration. VRM understands that High Grade Metals intends to relinquish these licences at the next leasing period and therefore discussion of these projects is limited.

Seekar Project

The Seekar area is also characterised by the presence of historical workings, with limited historical records documenting elevated copper and silver. The Project (refer to Figure 3) is in the District of St Johann im Pongau within the Federal State of Salzburg, 1 to 3km north of the town of Obertauern and 20km south of Radstadt. The project area currently comprises nine concessional circles covering approximately five square kilometres. Historical mining locations include several adits in the area and dumps sampling has returned elevated copper, silver and other metals, however the recent study by High Grade Metals concluded that Seekar is considered either too small, remote or covered with tourist attractions to warrant further exploration. VRM understands that High Grade Metals intends to relinquish these licences at the next leasing period and therefore discussion of these projects is limited.

2.3 Exploration Potential / Summary

Given the historical production for some Properties, encouraging surface / waste dump sampling and limited systematic modern exploration, including drill testing undertaken by High Grade Metals, in VRM's opinion there is justification for continued exploration. However, it is noted that a number of projects have been downgraded during the recent exploration review and High Grade Metals continue to evaluate the best approach to exploration activities considering the potential prospectivity and scale.

VRM considers that as at the date of this Report, the valuation of the Properties at their current status (i.e. no Mineral Resources or Ore Reserves declared in accordance with the guidelines of JORC Code) must be based on exploration potential.

At the valuation date of 31 March 2021, the exploration potential of the various prospect and Property areas is summarised in Table 1.

Table 1 Summary of High Grade Metals exploration properties in Austria, history and exploration potential

Property	No of leases	Area (km ²)	Commodity	Historic mining & production	Exploration potential
Kreuzeck West	44	19.9	Au-As-Sb	Gurskerkammer antimony mine, Strieden and Knappenstube gold and stibnite mines	Target 2 – Gurskerkammer prospect drill target beneath historical workings Target 3 - Strieden and Knappenstube prospects geophysical and geochemical drill targets
Kreuzeck East	42	19.0	Au-As-Sb	Numerous, collapsed / not found	Lengholz gold district and W continuation of Siflitz gold deposits trend, and Lessingbach shear zone may host stibnite
Goldeck-Siflitz	57	25.6	Au-As-Sb	Guginock gold mine, and others collapsed / not found	Target 4 – East Guginock prospect geochemical drill target east of historic mine, limited previous exploration Target 5 – Vorder-Siflitz prospect geophysical drill target along strike of Danieli Adit, limited previous exploration
Schellgaden (proximal)	20	9.2	Au-Ag-W	Stüblbau and Schulterbau gold mines	Limited drill testing beneath these historical workings and may not have been optimally oriented, though drilling to date has not returned anomalous results
Schellgaden (distal)	198	90.7	Au-Ag-W	Numerous	Limited exploration has been completed
Leogang	63	29.9	Co-Ni-Cu	Nöckelberg Co-Ni-Cu mine	Target 1 – Nöckelberg prospect drill target beneath historical workings
Gratlspeitz	118	56.5	Ag-Co-Ni	Gratlspeitz-Brixlegg	Further compilation work required to identify exploration potential
Zinkwand	2	1.1	Ag-Co-Ni	No	None identified, recommended to be relinquished next term
Seekar	9	4.5	Cu-Ag	No	None identified, recommended to be relinquished next term

2.4 Mineral Resources, Ore Reserves and Mining

There are no current Mineral Resources or Ore Reserve estimates that can be reported in accordance with the ASX Listing Rules and the current JORC Code (2012). High Grade Metals has previously reported Exploration Target statements for two exploration properties at Schellgaden North (HGM ASX release dated 25 May 2018) and Leogang (HGM ASX release dated 5 April 2018), however these have recently been discredited. Ongoing data compilation and review resulted in an announcement on 29 April 2019 stating that the previously stated exploration targets of 2018 no longer reflect the nature of the targeted mineralisation and cannot be relied upon.

Numerous historical mines and mineral occurrences are reported from within the licence areas. Maps of the extent of known workings are important to note in relation to the projects as these demonstrate the lateral and depth extents of mineralisation assuming these are correctly spatially referenced. VRM has noted some comments by High Grade Metals in their JORC Table 1 reports that records in relation to historical data are incomplete, so limited reference is made within this report to such information.

3. Valuation Methodology

The VALMIN Code outlines various valuation approaches that are applicable for Properties at various stages of the development pipeline. These include valuations based on market-based transactions, income or costs as shown in Table 2 and provides a guide as to the most applicable valuation techniques for different assets.

Table 2 VALMIN Code 2015 valuation approaches suitable for mineral properties

Valuation Approaches suitable for mineral properties				
Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

The High Grade Metals properties in Austria are best described as exploration to advanced exploration stages. There are no Mineral Resource or Ore Reserve estimates within the Properties that are reportable under the JORC Code (2012). Therefore, VRM does not consider an income valuation methodology is appropriate. Due to the early exploration stage of the Properties the preferred valuation for the Properties is based on market and cost valuation approaches.

The Market based valuation approach is detailed in Section 3.4 below.

3.1 Previous Valuations

Apart from earlier versions of this Report, VRM is not aware of any previous valuation reports on the High Grade Metals properties.

3.2 Valuation Subject to Change

The valuation of any mineral Property is subject to several critical inputs most of these change over time and this valuation is using information available as of 31 March 2021 being the valuation date of this Report. This valuation is subject to change due to updates in the geological understanding, variable assumptions and mining conditions, climatic variability that may impact on the development assumptions, the ability and timing of available funding to advance the Property, the current and future gold and base metal prices, exchange rates, political, social, environmental aspects of a possible development, a multitude of input costs including but not limited to fuel and energy prices, steel prices, labour rates and supply and demand dynamics for critical aspects of the potential development like mining equipment. While VRM has undertaken a review of multiple aspects that could impact the valuation there are numerous factors that are beyond the control of VRM.

As at the date of this Report in VRM's opinion there have been no significant changes in the underlying inputs or circumstances that would make a material impact on the outcomes or findings of this Report.

3.3 General Assumptions

Mineral Assets of High Grade Metals are valued using appropriate methodologies as described Table 2 in the following sections. The valuation is based on several specific assumptions detailed above, including the following general assumptions;

- That all information provided to VRM is accurate and can be relied upon,
- The valuations only relate to the mineral assets of High Grade Metals and not the company nor its shares or market value,
- That the mineral rights, tenement security and statutory obligations were fairly stated to VRM and that the mineral licences will remain active,
- That all other regulatory approvals for exploration and mining are either active or will be obtained in the required and expected timeframe,
- That the owners of the mineral assets can obtain the required funding to continue exploration activities, and
- All currency in this report are Australian Dollars, unless otherwise noted, if a particular value is in United States Dollars, it is prefixed with USD.

3.4 Market Based Valuations

As the properties in Austria being valued in this Report are dominantly prospective for gold and cobalt it is important to note the current market conditions of the primary commodities being targeted. The gold price is fundamentally different to many of the other commodities as the gold price is frequently seen as a pseudo currency and is considered by many as a safe-haven investment option, especially in the current monetary policies of many of the major countries' reserve banks. Figure 11 shows the gold and silver prices over the last five years in US dollars, noting an initial rise in gold price through the period of COVID-19 pandemic in 2020 with a period of correction in the latter part of 2020 and early 2021.

The cobalt price reached ten-year highs in early 2018 based on concerns over long term access to cobalt supplies, a positive outlook on forward demand and many other factors such as instability in the Democratic Republic of Congo. The second quarter of 2018 saw prices decline as supply increased in response to the market. While cobalt prices have continued to fall, and market sentiment remains depressed some forecast demand growth over the next decade related to the battery sector. Figure 12 charts the cobalt and nickel prices over the five-year period showing that the cobalt market has remained flat through 2020 but rising in early 2021, while nickel has been more volatile but overall increasing.

While the gold market continues to rise, the cobalt market remains depressed and therefore, it is considered reasonable to discount the technical valuations for cobalt by approximately 25%. VRM considers that these market factors include conditional payments, such as the 2.5% NSR royalty on potential future gold production as the probability of this eventuating is small as exploration is high risk.

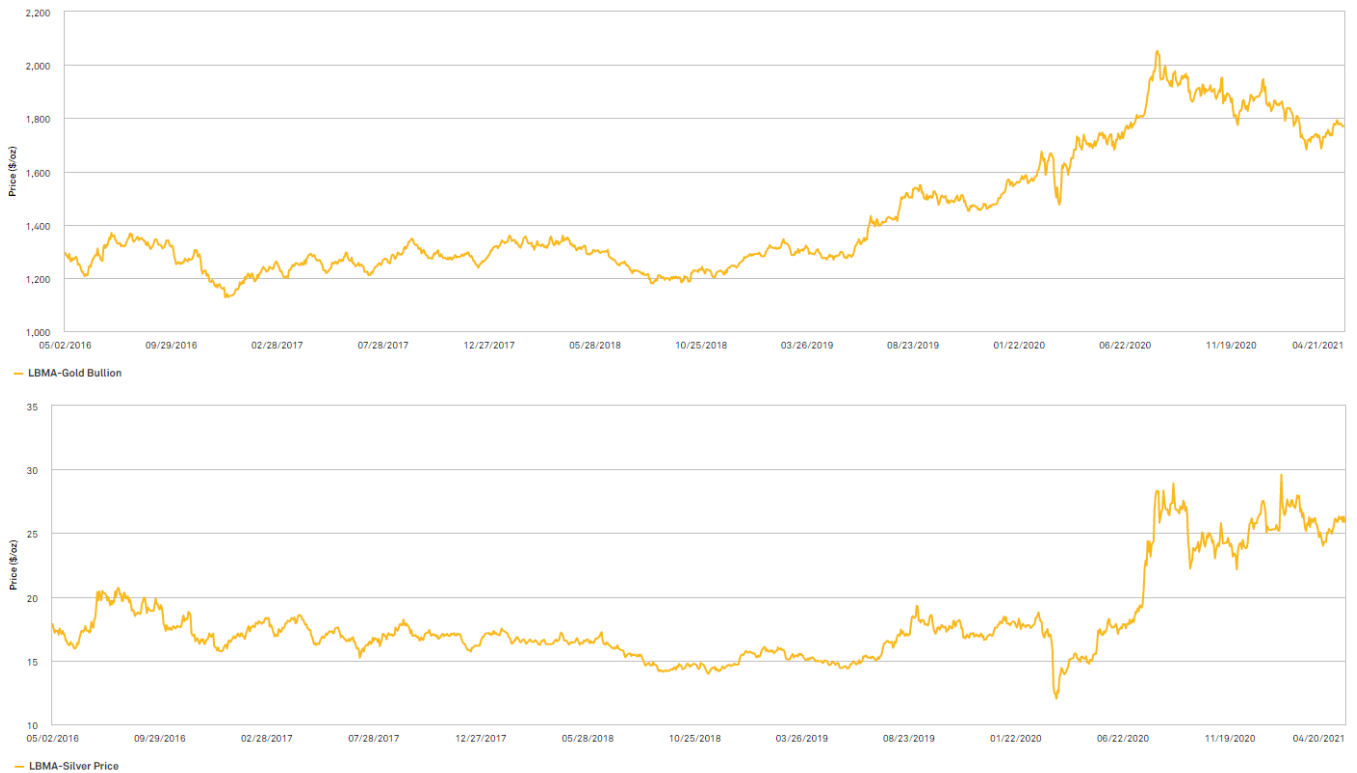


Figure 11 Five-year USD gold (top) and silver (bottom) price graphs (USD/oz) (source S&P Global MI)



Figure 12 Five-year USD cobalt (top) and nickel (bottom) price graphs (USD/lb) (source S&P Global MI)

3.5 Valuation of Advanced Properties

There are several valuation methods that are suitable for advanced Properties which include;

- Financial modelling including discounted cash flow (DCF) valuations (limited to Properties with published Ore Reserves),
- Comparable Market Based transactions including Resource and Reserve Multiples,
- Joint Venture Transactions,
- Yardstick valuations.

The Austrian Gold and Cobalt Projects of High Grade Metals are not considered to be advanced properties and therefore the above valuation methods are not applicable.

3.6 Exploration Asset Valuation

To generate a value of an early stage exploration Property or the exploration potential away from a mineral deposit it is important to value all the separate parts of the mineral assets under consideration. In the case of the advanced Properties the most significant value drivers for the overall Property are the declared Mineral Resources or Ore Reserves, while for earlier stage Properties a significant contributor to the Property's value is the exploration potential. There are several ways to determine the potential of pre-resource Properties, these being;

- A Geoscientific (Kilburn) Valuation,
- Comparable transactions (purchase) based on the Properties' area,
- Joint Venture terms based on the Properties' area,
- A prospectivity enhancement multiplier (PEM).

VRM considers the Geoscientific (Kilburn) Valuation method to be the most robust and is commonly the primary valuation method used for early stage Properties. The Geoscientific (Kilburn) Valuation method is checked using the other valuation methods. VRM has applied a PEM valuation as a secondary valuation approach. A market-based approach was not applied because in our research VRM identified several potentially comparable transactions but the analysis of these showed a very wide range of values and varying deposit styles. As these related to properties across a range of jurisdictions and transaction types VRM assessed that these transactions were not appropriate to inform a valuation.

Geoscientific (Kilburn) Valuation

One valuation technique that is widely used to determine the value of a Property that is at an early exploration stage without any Mineral Resources or Ore Reserves estimates was developed and is described in an article published in the CIM bulletin by Kilburn (1990). This method is widely termed the geoscientific method where a series of factors within a Property are assessed for their potential. While this technique is somewhat subjective and open to interpretation it is a method that when applied correctly and by a suitably experienced specialist enables an estimate of the value of the Property. There are five critical aspects that need to be considered when using a Kilburn or Geoscientific valuation, these are the base acquisition cost (BAC), which put simply is the cost to acquire and continue to retain the tenements

being valued. The other aspects are the proximity to both adjacent to, and along strike of, a major deposit (Off Property Factors), the occurrence of a mineral system on the tenement (On Property Factors), the success of previous exploration within the tenement (Anomaly Factors) and the prospectivity of the geological terrain covered by the mineral claims or tenements (Geological Factors).

While this valuation method is robust and transparent it can generate a very wide range in valuations, especially when the ranking criteria are assigned to a large tenement. This method was initially developed in Canada where the mineral claims are generally small therefore reducing the potential errors associated with spreading both favourable and unfavourable ranking criteria to be applied over a large tenement. Table 3 documents the ranking criteria applied.

Table 3 Ranking criteria are used to determine the geoscientific technical valuation

Geoscientific Ranking Criteria				
Rating	Off-property factor	On-property factor	Anomaly factor	Geological factor
0.1				Generally unfavourable geological setting
0.5			Extensive previous exploration with poor results	Poor geological setting
0.9			Poor results to date	Generally unfavourable geological setting, under cover
1.0	No known mineralisation in district	No known mineralisation within	No targets defined	Generally favourable geological setting
1.5	Mineralisation identified	Mineralisation identified	Target identified; initial indications positive	
2.0	Resource targets identified	Exploration targets identified	Significant intersections – not correlated on section	Favourable geological setting
2.5				
3.0	Along strike or adjacent to known mineralisation	Mine or abundant workings with significant previous production	Several significant ore grade intersections that can be correlated	Mineralised zones exposed in prospective host rocks
3.5				
4.0	Along strike from a major mine(s)	Major mine with significant historical production		
5.0	Along strike from world class mine			

In terms of estimating a BAC VRM understands that the licence application and holding costs are less in Austria to those in Australia, based on the application fee of 8.72 EUR per year and no annual exploration expenditure commitments. While these holding costs are lower, it is also understood that a work program needs to be submitted to the mining authority for mapping, sampling, drilling etc and in order to obtain

an extension for a further five years annual exploration activities reports lodged by the holder are approved by the Mining Authority for each of the preceding five years. VRM has assumed that to undertake basic work programs, in the order of \$800 AUD per licence / concessional area would need to be expended per year (excluding tenement fees). This is based on an average of typical costs in Australia compared to the expenditure incurred by High Grade Metals on its gold leases over a five-year period.

Using the ranking criteria from Table 3, along with the BAC values an overall technical valuation was determined. The technical valuation derived from the Kilburn ranking factors are frequently adjusted to reflect the geopolitical risks associated with the location of the Property as well as the current market conditions toward a specific commodity or geological terrain. These adjustments can either increase or decrease the technical value to derive the market valuation.

The technical valuation was discounted to derive a market valuation. A market factor was derived to account for the geopolitical / social sensitivity risks of operating in Austria. In this case, VRM has determined that a geopolitical / social sensitivity risk would apply to Austria and has estimated this to represent a 40% discount given most projects are located proximal to alpine recreational areas and major transport corridors.

Prospectivity Enhancement Multiplier (PEM) Valuation

As outlined in Table 2 above and in the VALMIN Code a cost based or appraised value method is an appropriate valuation technique for early stage exploration Properties. Under this method, the previous exploration expenditure is assessed as either improving or decreasing the potential of the Property. The prospectivity enhancement multiplier (PEM) involves a factor which is directly related to the success of the exploration expenditure to advance the Property. There are several alternate PEM factors that can be used depending on the specific Property and commodity being evaluated. Onley, (1994) included several guidelines for the use and selection of appropriate PEM criteria.

The PEM ranking criteria used in this report are outlined in Table 4 below. VRM considers the PEM valuation method as a secondary valuation method and no higher PEM ranges are used as once a resource has been estimated it is, in the opinion of the author, preferable to use resource multiples for comparable transactions once a resource has been estimated. These PEM criteria were used to determine the upper and lower valuation, with the preferred valuation being the midpoint between these.

Table 4 Prospectivity Enhancement Multiplier (PEM) ranking criteria

PEM Ranking Criteria	
Range	Criteria
0.2 – 0.5	Exploration downgrade the potential
0.5 – 1	Exploration has maintained the potential
1.0 - 1.3	Exploration has slightly increased the potential
1.3 – 1.5	Exploration has considerably increased the potential
1.5 – 2.0	Limited Preliminary Drilling intersected interesting mineralised intersections

PEM Ranking Criteria

2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest
2.5 – 3.0	A Mineral Resource has been estimated at an Inferred category

4. Valuation of High Grade Metals Properties

This report has applied two valuation methods for the High Grade Metals Properties in Austria, including a geoscientific (Kilburn) and a PEM valuation, as there are no ASX reported Mineral Resource or Ore Reserve estimates for the High Grade Metals Properties. High Grade Metals provided information on the holding costs, tenement rents and supplied previous exploration expenditure. The details of these valuations are below and are based on the information and tenement schedule above and in Appendix A.

4.1 Geoscientific Valuation

There are several specific inputs that are critical in determining a valid geoscientific or Kilburn valuation, these are ensuring that the practitioner undertaking the valuation has a good understanding of the mineralisation styles within the overall region, the tenements and has access to all the exploration and geological information to ensure that the rankings are based on a thorough knowledge of the Property. In addition to ensuring the rankings are correct deriving the BAC is critical as that is the primary driver of the final value. In this case the BAC is derived by the estimating the costs of applying for a tenement of the specific type and the rent or exploration commitment to maintain the tenement in good standing.

The Geoscientific rankings were derived for each of the tenements and are summarised in Appendix B. Table 5 details the technical value of the exploration potential within the High Grade Metals Properties while the Market Value of the exploration potential is included in Table 6.

Table 5 Technical Valuation for the Exploration Potential within the High Grade Metals Properties

Technical Valuation Summary by Project

Project	Tenements	Lower (AUS\$)	Preferred (AUS\$)	Upper (AUS\$)
Kreuzeck West	44	123,000	219,500	316,000
Kreuzeck East	42	78,300	154,500	230,700
Goldeck-Sifflitz	57	159,400	284,400	409,400
Schellgaden (North & South)	218	806,400	1,350,400	1,894,400
Leogang	63	469,700	767,200	1,064,700
Gratlspeitz	118	146,600	359,250	571,900
Zinkwand	2	1,200	3,100	5,000
Seekar	9	5,200	13,900	22,600
Total Value (AUS\$)		1,789,800	3,152,250	4,514,700

Notes Technical valuation is the base acquisition cost multiplied by the ranking factors. Appropriate rounding has been undertaken

Table 6 is the market valuation (in AUS\$) which is the technical valuation multiplied by two additional valuation factors, the geopolitical or sovereign risk factor and the market factor. In this case the location factor is 60% for Properties in Austria considering the potential social sensitivity risk. In terms of a market factor, the gold market is considered to currently strong, while the cobalt market remains depressed and a factor of 75% has been applied to reflect this.

Table 6 Market Valuation for the Exploration Potential within the High Grade Metals Properties

Market Valuation Summary by Project

Project	Tenements	Lower (AUS\$)	Preferred (AUS\$)	Upper (AUS\$)
Kreuzeck West	44	70,000	130,000	190,000
Kreuzeck East	42	50,000	90,000	140,000
Goldeck-Sifflitz	57	100,000	170,000	250,000
Schellgaden (North & South)	218	480,000	810,000	1,140,000
Leogang	63	210,000	350,000	480,000
Gratlspeitz	118	70,000	160,000	260,000
Zinkwand	2	1,000	1,000	2,000
Seekar	9	2,000	6,000	10,000
Total Value (AUS\$)		983,000	1,717,000	2,472,000

Note Appropriate rounding has been undertaken

Based on this Geoscientific (Kilburn) valuation, VRM considers a reasonable valuation for the High Grade Metals assets to be between \$0.98 million and \$2.47 million with a preferred valuation of \$1.72 million.

4.2 Prospectivity Enhancement Multiplier Valuation

As detailed in Section 3.6 the prospectivity enhancement multiplier or multiple of exploration expenditure (MEE) is a valuation method derived on the basis that money spent on exploration has either increased or decreased the value of the Property.

Table 7 details the expenditure on the tenement groups since they were acquired by High Grade Metals up to 31 March 2021. Normally, only expenditures for the past five years or since the Property was acquired by the current holder and the acquisition costs (if purchased in the past five years) should be used in determining a PEM valuation. VRM obtained expenditure incurred by High Grade Metals and Eurocan. VRM understands that High Grade Metals impaired 100% of its costs on the Austrian Projects at December 2019.

Table 7 Previous expenditure as provided by High Grade Metals by commodity for the projects in Austria

Entity / Commodity	Total Expenditure (AUS\$)
APC Cobalt	1,245,901
APC Gold	1,152,764
Eurocan	29,956
APC Australia Expenditure on APC Cobalt June 18	848,342
APC Australia Expenditure on Eurocan to June 18	197,009
APC Australia Expenditure on APC Gold to June 18	1,029,348
Expenditure in Austria July 19 to March 21	830,315
Total (AUS\$)	5,333,634

High Grade Metals informed VRM that drilling was carried out on Schellgaden and Leogang projects and VRM assigned drilling expenditure to these project areas, and apportioned other expenditure by either gold or cobalt directed amounts based on the respective lease areas for individual projects compared to the total by commodity. Eurocan expenditure was split between gold and cobalt and apportioned on the same area basis. As this valuation is a secondary valuation method, and expenditure is recent there has been no adjustment for inflation of the previous expenditure. Table 8 assigns the prospectivity enhancement multiplier to these expenditures based on the PEM rankings from Table 4.

Table 8 Valuation of the Austrian Properties based on a prospectivity enhancement multiples (PEM)

PEM Valuation Summary by Project						
Project	Tenements	Commodity	PEM Low	Low Value (AUS\$)	PEM High	High Value (AUS\$)
Kreuzeck West	44	Gold	0.5	150,000	0.7	210,000
Kreuzeck East	42	Gold	0.3	90,000	0.5	150,000
Goldeck-Sifflitz	57	Gold	0.5	200,000	0.7	280,000
Schellgaden (N & S)	218	Gold	0.2	350,000	0.4	690,000
Leogang	63	Cobalt	0.5	520,000	0.7	730,000
Gratlspeitz	118	Cobalt	0.2	290,000	0.4	580,000
Zinkwand	2	Cobalt	0.2	0	0.4	10,000
Seekar	9	Cobalt	0.2	20,000	0.4	40,000
Total (AUS\$)				1,620,000		2,690,000

In VRM's opinion that the value of the Austrian Properties based on previous expenditure is between \$1.62 million and \$2.69 million with a preferred valuation being based on the midpoint of \$2.15 million.

5. Conclusions and Preferred Valuations

The Austrian portfolio assembled by High Grade Metals demonstrates potential for gold and cobalt mineralisation, but exploration to date has not returned positive results and further exploration potential may be limited particularly in terms of scale. The projects areas extend across some historical mine sites that were exploited for gold and other metals and which in general have undergone very limited modern / systematic exploration. High Grade Metals is exploring options for these Property areas recognising the significant commitments required for ongoing exploration. Reviews to evaluate the best approach to exploration activities considering the potential prospectivity and scale continue.

Based on the valuation techniques detailed above, Table 9 and Figure 13 provide a summary of the valuations with the preferred market valuation ranging from \$0.98 million to \$2.47 million with a preferred valuation of \$1.72 million based on the Geoscientific / Kilburn method as this is considered by VRM to better reflect the prospectivity of the leases.

Table 9 Valuation Summary on equity basis

Project	Lower Valuation (\$M)	Preferred Valuation (\$M)	Upper Valuation (\$M)
Geoscientific / Kilburn	0.98	1.72	2.47
PEM Valuation	1.62	2.15	2.69
Preferred Value (AUS\$)	0.98	1.72	2.47

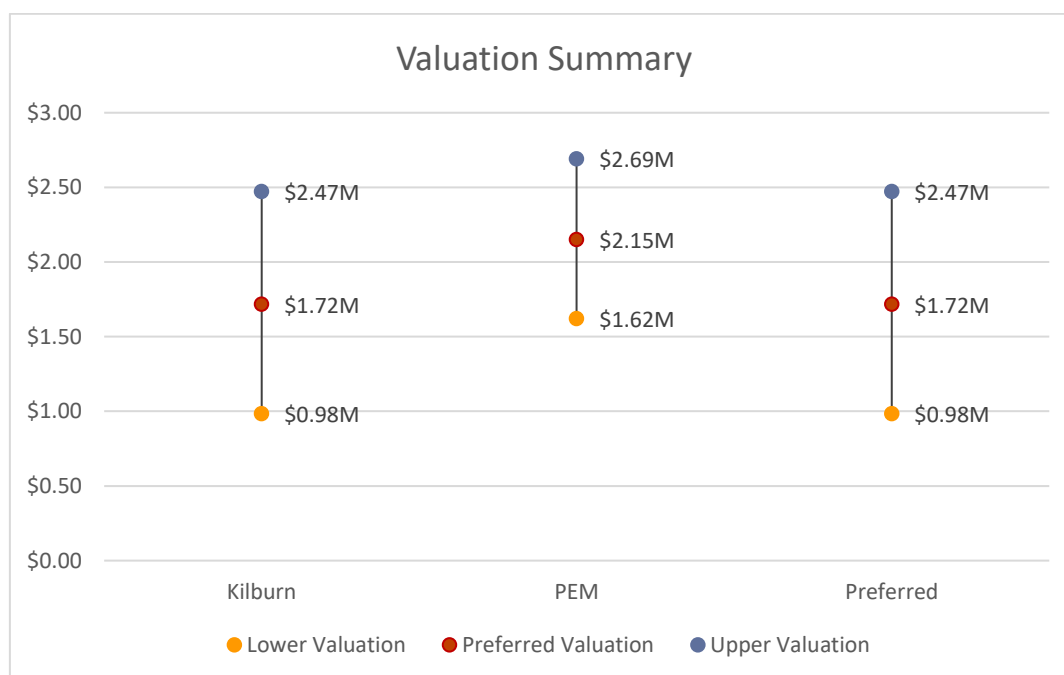


Figure 13 Chart of Kilburn, PEM and Preferred Valuations

6. Risks and Opportunities

As with all mineral assets there are several risks and opportunities associated with the gold and base metal assets in Austria of High Grade Metals Pty and therefore the valuation of those assets.

Some of the non-geological or mining related technical risks and opportunities that are common to most projects include the risks associated with the security of tenure, native title claims, environmental approvals, social, geopolitical and regulatory approval risks. High Grade Metals and Eurocan have operated in the country for a number of years and these risks appear to have been adequately addressed at least for the early stages of exploration the projects are currently at. The risk related to undertaking on-ground exploration has increased following the outbreak of the global coronavirus pandemic and this may impact the leases with near-term expiry dates.

Additional risks are associated with obtaining sufficient capital to undertake the exploration activity. While the gold market is robust, the scale of deposits in Austria may be limited and the cobalt market is depressed. Both these factors will impact the ability of the company to secure the required funding for ongoing exploration and substantial drilling is required on early stage exploration projects such as these.

References

None of the ASX releases of High Grade Metals have been listed in the Reference list but are available on the companies' and the ASX websites.

JORC, 2012. *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)* [online]. Available from: <http://www.jorc.org> (The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia).

Kilburn LC, 1990. *Valuation of mineral properties which do not contain exploitable reserve*. CIM Bulletin, 83, pp. 90–93.

VALMIN, 2015. *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code)* [online]. Available from: <http://www.valmin.org> (The VALMIN Committee of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists).

Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Webmineral www.webmineral.com, Wikipedia www.wikipedia.org.

The following terms are taken from the 2015 VALMIN Code

Annual Report means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Australasian means Australia, New Zealand, Papua New Guinea and their off-shore territories.

Code of Ethics means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.

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

Experts are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.

Exploration Results is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Feasibility Study means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.

Financial Reporting Standards means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.

Independent Expert's Report means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 111 and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.

Information Memoranda means documents used in financing of projects detailing the project and financing arrangements.

Investment Value means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.

Life-of-Mine Plan means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

Market Value means the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

Materiality or being Material requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

Member means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

Mineable means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

Mineral Asset means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

- (a) Early-stage Exploration Projects – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified;
- (b) Advanced Exploration Projects – Tenure holdings where considerable exploration has been undertaken and specific targets 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 prospects to the Mineral Resources category;
- (c) Pre-Development Projects – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made

not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;

- (d) Development Projects – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study;
- (e) Production Projects – Tenure holdings – particularly mines, wellfields and processing plants – that have been commissioned and are in production.

Mine Design means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power and other technical requirements spanning commissioning, operation and closure so that mine planning can be undertaken.

Mine Planning includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation and closure.

Mineral means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.

Mineralisation means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition.

Mineral Project means any exploration, development or production activity, including a royalty or similar interest in these activities, in respect of Minerals.

Mineral Securities means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.

Mineral Resources is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Mining means all activities related to extraction of Minerals by any method (e.g. quarries, open cast, open cut, solution mining, dredging etc).

Mining Industry means the business of exploring for, extracting, processing and marketing Minerals.

Modifying Factors is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Ore Reserves is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Petroleum means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.

Petroleum Resource and Petroleum Reserve are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. Refer to <http://www.spe.org> for further information.

Practitioner is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts.

Preliminary Feasibility Study (Pre-Feasibility Study) means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

Professional Organisation means a self-regulating body, such as one of engineers or geoscientists or of both, that:

- (a) admits members primarily on the basis of their academic qualifications and professional experience;
- (b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and
- (c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

Public Presentation means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade or build good will.

Public Report means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

Quarterly Report means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Reasonableness implies that an assessment which is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation.

Royalty or Royalty Interest means the amount of benefit accruing to the royalty owner from the royalty share of production.

Securities has the meaning as defined in the Corporations Act.

Securities Expert are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

Scoping Study means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

Specialist are persons whose profession, reputation or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Status in relation to Tenure means an assessment of the security of title to the Tenure.

Technical Assessment is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

Technical Assessment Report involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

Tenure is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

Transparency or being Transparent requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.

Valuation is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

Valuation Approach means a grouping of valuation methods for which there is a common underlying rationale or basis.

Valuation Date means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report must not be more than 12 months apart.

Valuation Methods means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

Value means the Market Value of a Mineral Asset.

Appendix A - High Grade Metals Tenement Schedule as at 31 March 2021

Project	Expiry	Tenement Numbers ('Freishürfe')	No of licences	Interest
Schellgaden	31/12/2022; 31/12/2024 and 31/12/2024	01/18/SN - 62/18/SN 02/05/S - 37/05/S; 15/05/K - 135/05/K	62, 36, 121	100%
Schwarzleo ¹	31/12/2021	38/17/S - 67/17/S	30	100%
Seekar	31/12/2021	68/17/S - 76/17/S	9	100%
Zindwand	31/12/2021	77/17/S - 78/17/S	2	100%
Gratlsitz	31/12/2022; and 31/12/2021	01/GR/18 - 81/GR/18; and 01/17/T - 37/17/T	81, 37	100%
Leogang East	31/12/2022	LE/01 - LE/33	33	100%
Kreuzeck West / Carinthia	31/13/2024	136/05/K - 179/05/K	44	100%
Kreuzeck East / Carinthia	31/13/2024	180/05/K - 221/05/K	42	100%
Goldeck – Siflitz / Carinthia	31/13/2024	222/05/K - 278/05/K	57	100%

Notes

1. Schwarzleo Project tenements with Leogang East make up the Leogang Project referred to within the body of this report

Appendix B – Geoscientific (Kilburn) ranking factors

The table below shows the technical value and market value for the Austrian Gold and Cobalt Projects, all 100% attributable to High Grade Metals.

The technical value is adjusted by a geopolitical or social factor of 60% for Austria and a market factor (100% for gold, 75% for cobalt) to estimate a market value.

Project	Interest	Off Property		On Property		Anomaly Factor		Geology Factor		Technical Valuation Equity basis (AUS\$)			Market Value Equity basis (AUS\$M)		
		Low	High	Low	High	Low	High	Low	High	Lower	Preferred	Upper	Lower	Preferred	Upper
Kreuzeck West	100%	1.5	2.0	1.5	1.7	1.5	1.7	1.0	1.5	123,000	219,500	316,000	70,000	130,000	190,000
Kreuzeck East	100%	1.5	2.0	1.5	1.7	1.0	1.3	1.0	1.5	78,300	154,500	230,700	50,000	90,000	140,000
Goldeck - Siflitz	100%	1.5	2.0	1.5	1.7	1.5	1.7	1.0	1.5	159,400	284,400	409,400	100,000	170,000	250,000
Schellgaden Proximal	100%	1.5	2.0	3.0	3.2	1.0	1.5	2.5	3.0	186,400	331,800	477,200	110,000	200,000	290,000
Schellgaden Distal	100%	3	3.2	1.2	1.5	0.7	0.9	1.5	2.0	620,000	1,018,600	1,417,200	370,000	610,000	850,000
Leogang	100%	1.0	1.5	3.0	3.2	1.5	1.7	2.0	2.5	469,700	767,200	1,064,700	210,000	350,000	480,000
Gratlspeitz	100%	1.0	1.5	1.5	2.0	1.0	1.3	1.0	1.5	146,600	359,250	571,900	70,000	160,000	260,000
Zinkwand	100%	1.0	1.5	1.0	1.5	0.7	0.9	1.0	1.5	1,200	3,100	5,000	1,000	1,000	2,000
Seekar	100%	1.0	1.5	1.0	1.5	0.7	0.9	1.0	1.5	5,200	13,900	22,600	2,000	6,000	10,000
Total										1,789,800	3,152,250	4,514,700	983,000	1,717,000	2,472,000



APPENDIX 4 - INDEPENDENT TECHNICAL SPECIALIST VALUATION REPORT PREPARED BY RISC

3 May 2021
Mr David Fechner,
Director
BDO Corporate Finance (SA) Ltd
GPO Box 2018
Adelaide, SA, 5001, Australia

Via email:

Dear David

2nd Addendum and update to RISC's Independent Technical Specialist's Report on the coal seam gas exploration projects of Jade Gas Pty Ltd ("Jade") dated 14 September 2020.

RISC issued our ITSr report relating to the Tavan Tolgoi PSA for the exploration and exploitation of Coal Bed Methane over the Tavan Tolgoi area, and the potential prospecting agreement areas in the Baraan Naran and Tsakhir Khudag ("BN-TK") areas in Mongolia in September 2020.

In the weeks following this we were made aware of some changes to status of the assets including:

- Transfer of ownership of the Tavan Tolgoi PSA to Methane Gas Resource LLC, a joint venture between Jade and Erdenes Methane LLC.
- A change in understanding of the prospecting areas that effectively removed "TK" from the prospecting area.

In November we issued a first addendum to the report confirming that these changes had no impact on our valuation.

In April 2021 RISC was made aware of further changes to the status of the assets. RISC confirms that:

- The changes that have occurred since the report and first addendum were issued are not material to the report or our findings
- We have assessed the contents, opinions and disclosures within the report and confirm that there are no material changes

The changes that we have been made aware of are indicated below:

The Tavan Tolgoi PSA

The Tavan Tolgoi PSA work program has been delayed, and the licence fees payment delayed due to the impact of COVID 19. We have been informed by Jade that once COVID restrictions are lifted the outstanding licence fees will be processed and the licence awarded for a 10-year period.

On the assumption that the licence is renewed, and this just results in a delay to the proposed program, then the delay in the work program has no impact on our valuation of the Tavan Tolgoi PSA.

The Baraan Naran ("BN") prospecting area

The work program for the BN prospecting area has also been delayed. Jade has confirmed that its planned work program remains unchanged and will be spent entirely in the BN licence area. Our valuation for the prospecting areas was based on work program commitments, and as such this change has no impact on our valuation for the remaining BN area.

Our valuation Range for Jade therefore remains unchanged.

I trust that this 2nd addendum to our report is clear, useful, and sufficient. Please let me know if you require any further information.

Yours sincerely



Martin Wilkes MEng, CEng, CEnv, FICHEME
Managing Director

About RISC

RISC is an independent oil and gas advisory firm. RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Our services cover the entire range of the oil and gas business lifecycle:

- RISC is independent with respect to Jade and HGM and confirms that there is no conflict of interest with any party involved in the assignment;
- Neither RISC nor any of its personnel involved in the preparation of the report and addendum have any material interest in Jade, HGM, or in any of the properties described in the report;
- RISC has not provided advice to Jade or HGM specifically in relation to the Proposed Transaction.

For further details refer to the Report.

Martin Wilkes holds a Masters of Engineering M.Eng (Chemical Engineering) degree from the University of Newcastle Upon Tyne. He is a Chartered Engineer, a Chartered Environmentalist, a Fellow of the Institution of Chemical Engineers and a Member of the Association of International Petroleum Negotiators (AIPN). Martin has over 30 years of experience in the sector and has been involved with asset and portfolio valuations for over a decade.

9 November 2020
Mr David Fechner,
Director
BDO Corporate Finance (SA) Ltd
GPO Box 2018
Adelaide, SA, 5001, Australia

Via email:

Dear David

Addendum and Update to RISC's Independent Technical Specialist's Report on the coal seam gas exploration projects of Jade Gas Pty Ltd ("Jade") dated 14 September 2020.

Since issuing out ITSR report in September RISC has been made aware of some changes in status relating to the Tavan Tolgoi PSA for the exploration and exploitation of Coal Bed Methane over the Tavan Tolgoi area and the potential prospecting agreement areas in the Baraan Naran and Tsaikhar Khudag ("BN-TK") areas in Mongolia.

RISC confirms that:

- The changes that have occurred since the report was issued are not material to the report or our findings
- We have assessed the contents, opinions and disclosures within the report and confirm that there are no material changes

The changes that we have been made aware of are indicated below:

The Tavan Tolgoi PSA – transfer complete

At the time of the report the owner of the Tavan Tolgoi PSA was Erdenes Methane LLC ("Erdenes"). Jade had established a joint venture company Methane Gas Resource LLC ("MGR"), which is owned 60% by Jade and 40% by Erdenes. and was anticipating that Erdenes would transfer 100% of the PSA to MGR.

Subsequent to the report we understand that the transfer of the PSA from Erdenes to MGR has occurred, and so the PSA is now owned by MGR. As a result Jade now owns 60% of the PSA.

This has no impact on our valuation of the Tavan Tolgoi PSA.

The Baraan Naran ("BN") and Tsaikhar Khudag ("TK") prospecting areas

At the time of the report Jade had established a joint venture with Mongolian Mining Corporation ("MMC") with the intent of applying for Prospecting Agreements over two coal mining licences (BN and TK) held by MMC.

Since the report was issued it has now become apparent that a PSC is already in existence over the TK licence area. The TK licence area is included in the Nomgon IX CBM PSC that is held by Elixir Energy. As such Jade has become aware, through its JV partner MMC, that it is not able to apply for a Prospecting Agreement over the TK licence area.

Jade has confirmed that its planned work program remains unchanged and will be spent entirely in the BN licence area. Our valuation for the prospecting areas was based on work program commitments, and as such this change has no impact on our valuation for the remaining BN area.

Our valuation Range for Jade therefore remains unchanged.

I trust that this addendum and update to our report is clear, useful, and sufficient. Please let me know if you require any further information.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Martin Wilkes", with a horizontal line underneath.

Martin Wilkes MEng, CEng, CEnv, FIChemE
Managing Director

About RISC

RISC is an independent oil and gas advisory firm. RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Our services cover the entire range of the oil and gas business lifecycle:

- RISC is independent with respect to Jade and HGM and confirms that there is no conflict of interest with any party involved in the assignment;
- Neither RISC nor any of its personnel involved in the preparation of the report and addendum have any material interest in Jade, HGM, or in any of the properties described in the report;
- RISC has not provided advice to Jade or HGM specifically in relation to the Proposed Transaction.

For further details refer to the Report.

Martin Wilkes holds a Masters of Engineering M.Eng (Chemical Engineering) degree from the University of Newcastle Upon Tyne. He is a Chartered Engineer, a Chartered Environmentalist, a Fellow of the Institution of Chemical Engineers and a Member of the Association of International Petroleum Negotiators (AIPN). Martin has over 30 years of experience in the sector and has been involved with asset and portfolio valuations for over a decade.



Independent Technical Specialist's Report on the coal seam gas exploration projects of Jade Gas Pty Ltd

For BDO Corporate Finance (SA) Pty Ltd

Date: 14 September 2020

decisions with confidence

1. Executive Summary

The Directors
High Grade Metals Limited
Level 17, 500 Collins Street
Melbourne, VIC, 3000, Australia

Mr David Fechner, Director
BDO Corporate Finance (SA) Ltd
GPO Box 2018
Adelaide, SA, 5001, Australia

14 September 2020

Dear Directors and Independent Expert,

Independent Technical Specialist's Report on the coal seam gas exploration projects of Jade Energy Pty Ltd

BDO Corporate Finance (SA) Ltd ("BDO") has been appointed by the Directors of High Grade Metals Limited ("HGM") as the Independent Expert to provide an Independent Expert's Report to the shareholders of HGM in relation to a potential acquisition of Jade Gas Pty Ltd ("Jade") (the "Proposed Transaction").

To assist BDO in preparing its Independent Expert Report in relation to the Proposed Transaction, BDO has provided instructions to RISC Advisory Pty Ltd ("RISC") to prepare this document, an Independent Technical Specialist's Report in relation to the Jade assets.

Fair market value of the Jade asset/opportunity

Jade currently have one asset which is a Production Sharing Agreement (PSA) for the exploration and exploitation of Coal Bed Methane in the Tavan Tolgoi area of Mongolia.

Jade has an additional opportunity where it has a joint venture with a coal mining company to apply for two prospecting agreement areas in the Baraan Naran and Tsaikhar Khudag ("BN-TK") area also in Mongolia. RISC believes that there is a high chance of success that this opportunity will develop into prospecting agreements.

RISC has used several methods to assist BDO with their assessment of the Jade asset/opportunity. We considered comparable asset sales in the current market, farm-in promote factors, indicated future work program commitments and sunk costs.

RISC estimates a total value of the Jade asset/opportunity at between A\$0.9 million and A\$5.2 million with a best-case estimate of A\$3.5 million, Table 1-1.

Table 1-1: Valuation of the Jade coal seam gas exploration asset/opportunity (net to Jade)

Asset / Opportunity	Valuation Range (A\$ Million)		
	Low	Best	High
Tavan Tolgoi	0.9	3.2	4.8
BN-TK	0.0	0.3	0.4
Total (arithmetic)	0.9	3.5	5.2

This report documents a description of the Jade coal seam gas exploration asset/opportunity and our rationale for the Jade valuation.

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2. Introduction

2.1. Jade's coal seam gas exploration areas

Jade has interests in two coal seam gas exploration areas in the South Gobi Basin of Mongolia.

The first asset is the Tavan Tolgoi coal seam gas exploration area. The Tavan Tolgoi PSA over the Tavan Tolgoi area was awarded to Erdenes Methane LLC ("Erdenes") on 22 April 2020. Jade has a 60% equity interest in the company Methane Gas Resource LLC to which Erdenes Methane LLC ("Erdenes") is to transfer 100% of the PSA, Figure 2-1.

RISC confirms that it has seen both the original PSA (in Mongolian) and the English translation of the PSA, between the Mineral Resources and Petroleum Authority of Mongolia and Erdenes. RISC also confirms that it has seen the investment agreement between Erdenes and Jade to transfer the PSA to Jade.

The second opportunity, directly adjacent to the Tavan Tolgoi asset, is the BN-TK area. Jade have a 66% participation interest in a joint venture with Khangad Exploration LLC ("Khangad"), a subsidiary of HKSE listed Mongolian Mining Corporation (MMC), to explore for coal seam gas in two coal licences (100% owned by MMC). The application for the prospecting agreements has been delayed by the COVID-19 disruptions. RISC has not been made aware of the proposed timing of the application for the BN-TK area.

RISC confirms that it has seen the investment agreement between Khangad and Jade to transfer any PSA awarded in the future on the BN-TK area to Jade.

RISC has confirmed via the Mongolian Government online tenement registry that the parties who have entered into the contractual arrangements, to which Jade is a party, hold valid title.

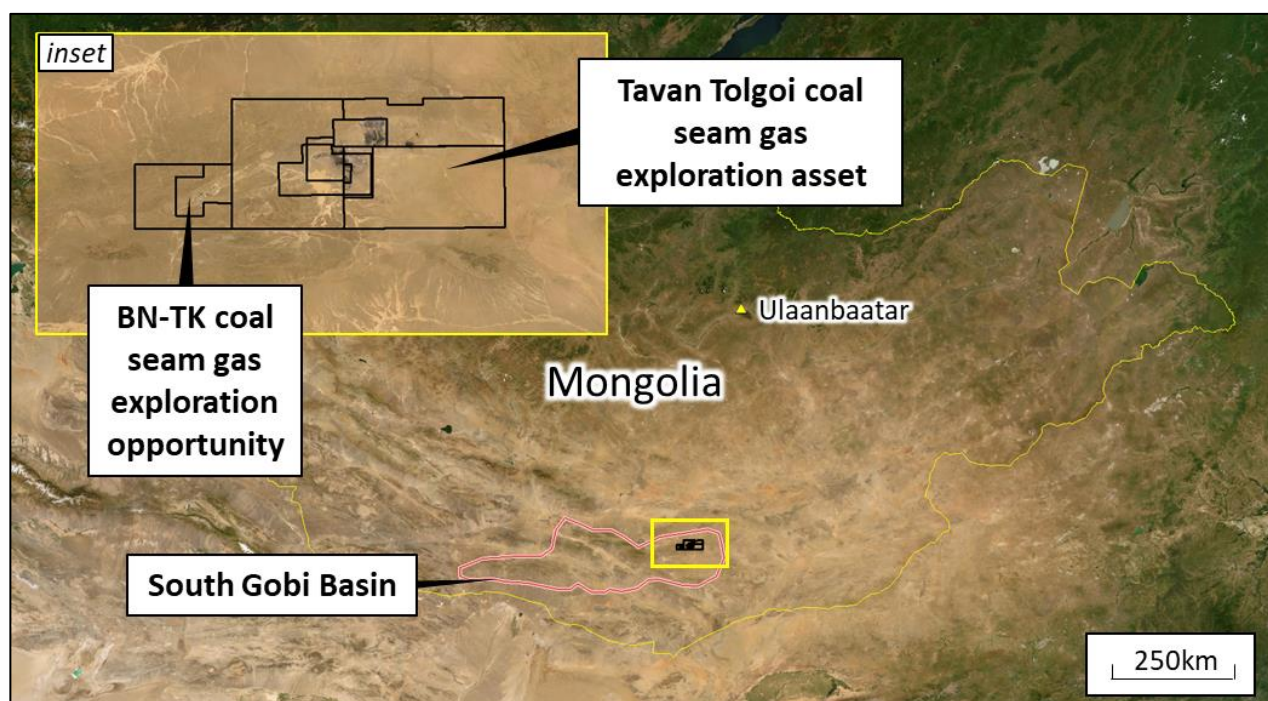


Figure 2-1: Location map of the Jade coal seam gas exploration areas

2.2. Terms of reference and basis of assessment

2.2.1. Terms of reference

This assignment has been conducted under the terms of our engagement with BDO dated 27 November 2019.

BDO have requested a report on the current fair market value of the Jade assets. RISC have been asked to provide BDO with a value that the assets would change hands for as at the date of our report in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion.

BDO specifically asked for the following to be provided in our report:

- A report with a detailed valuation of the assets;
- A statement of compliance that the valuations are prepared in accordance with the PRMS and/or VALMIN code as applicable to the assets;
- Information on all key assumptions underpinning our valuation;
- A statement in the report that the valuations of the assets represent RISC's estimate of a fair market value for the assets including a definition of fair market value; and
- RISC's consent to allow BDO to refer to and rely on the RISC report to assist BDO in determining the current fair market value of the assets for the purposes of the BDO report.

2.2.2. Basis of assessment

The data and information used in the preparation of this report were provided by Jade and supplemented by public domain information. RISC has relied upon the information provided by Jade. Data provided by Jade included the following:

- Spreadsheet on the Jade 2019 drilling program
- KOGAS CBM feasibility studies
- Draft report on the prospective resources of Tavan Tolgoi
- Barann Naran geology PowerPoint
- Published technical papers on Mongolian coal deposits
- Tavan Tolgoi geological cross sections
- Erdenes JV agreement
- Barann Naran JV agreement
- Tavan Tolgoi Production Sharing Agreement

The RISC valuation has been based on a review and audit of existing interpretations and assessments as supplied making adjustments that in our judgment were necessary. A site visit was not considered necessary and was not undertaken as part of our valuation. RISC was provided sufficient information from Jade to reach our conclusions and allow an informed evaluation.

RISC has reviewed the resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System (PRMS)¹.

¹ SPE/WPC/AAPG/SPEE 2018 Petroleum Resources Management System

Unless otherwise stated, all resources presented in this report are gross (100%) quantities with an effective date of 1 July 2020. Unless otherwise stated, all costs are in real terms with a reference date of 1 July 2020.

2.2.3. Exploration evaluation

A range of oil and gas industry accepted practices can be used to estimate the value of exploration assets and these are discussed below. RISC has collated relevant data and information for the alternative valuation methods as below.

We have used our experience, skill and judgment to select the most appropriate methodology or methodologies for our valuation. Where and when possible, we have used more than one valuation method to reduce the risk that our opinion is being distorted by the choice of methodology.

The VALMIN Code defines Value as the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.

2.2.3.1. Comparable transaction metrics

The value of exploration assets can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as value per unit of reserves, contingent or prospective resources, and price paid per unit area of the permit or % interest. The VALMIN Code advises value must also consider risk and premium or discount relating to market, strategic or other considerations. For exploration assets, comparable transaction analysis can identify appropriate farm-in promotion factors.

2.2.3.2. Farm-in promotion factors

An estimate of value can be based on an estimation of the share of future costs likely to be borne by a notional farmee under prevailing market conditions. A premium or promotion factor may be paid by the farmee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farmee divided by the interest earned. This represents the perceived value of the permit (i.e. the amount of money a willing investor is willing to spend to progress the opportunity including the future work program). However, it is not the cash value which would exclude the future work program cost. The cash value excluding the future work program costs is referred to as the premium value.

The premium value for the permit is the difference between the nominal value and the cost of the activity. This represents a cash amount that would be paid by the farmee to take on the future work program. The premium value is equivalent to the farmee paying the farmor a cash amount in return for the acquisition of the interest in the permit and can be taken as an indication of market value.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions.

Farm-in transactions may have several stages. For example, a farmee may acquire an initial interest by committing to a future cost in the first stage of the transaction but has an option to acquire an additional interest or interests in return to committing to funding a further work program or programs.

Farm-in agreements can also include re-imbursement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to value. However, they may need to be adjusted for the time value of money and probability of occurring.

2.2.3.3. *Work program commitments*

The costs of a future work program may also be used to estimate value. The work program valuation relies on the assumption that unless there is evidence to the contrary the permit is worth what a company will spend on it. This method is relevant for permits in the early stages of exploration and for expenditure which is firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. This assumes that the work program and options could be farmed out for a 2:1 promote. There may also need to be an adjustment for risk and the time value of money.

2.2.3.4. *Expected monetary value (EMV)*

EMV is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The EMV method provides a more representative estimate of value in areas with a statistically significant number of mature prospects within proven commercial hydrocarbon provinces where the chance of success and volumes can be assessed with a reasonable degree of predictability. EMVs may require discounting to estimate market value depending upon project maturity and uncertainty.

The EMV valuation can also be used as a relative measure for ranking exploration prospects within a portfolio to make drilling decisions, assessing commercial potential and to demonstrate the commercial attractiveness of a permit, which may influence a buyer or seller.

2.2.3.5. *Market factors*

Since the latter part of 2014, oil prices have substantially declined from over US\$100/bbl to an average of around US\$60/bbl. After a sharp drop in 2020 in response to the COVID-19 pandemic, oil prices have recovered somewhat and are trading near US\$40/bbl at the time of writing this report (Figure 2-2).

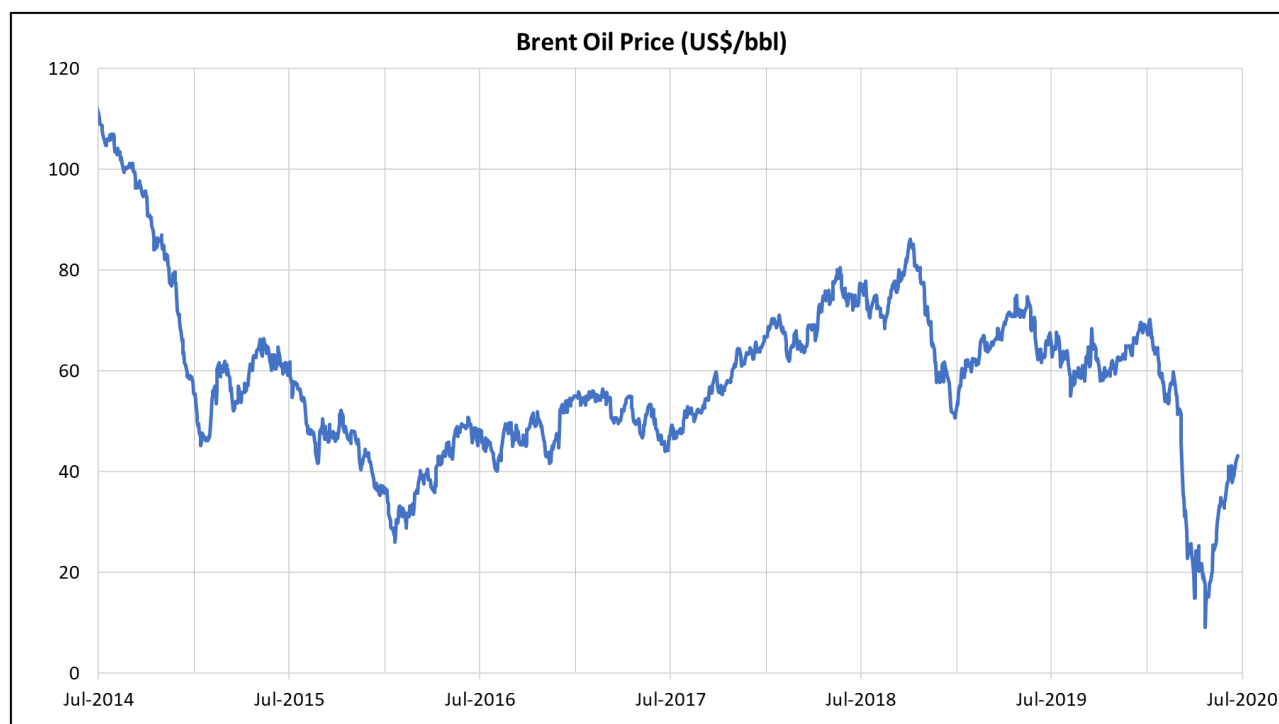


Figure 2-2: Brent oil price 2014-2020

Prior to the mid-2014 oil price decline, interest in exploration valuations was high and farm-in promotes of two or greater were being seen for quality acreage with large investment programs. Since then, there has been a paucity of transactions and anecdotally, RISC has identified that buyers are seeking farm-in promotes at or just above ground floor level.

In response to the market factors, our experience has been that oil and gas companies have slashed their exploration budgets and the value of exploration companies has declined significantly.

3. Geological setting

3.1. South Gobi Basin

The South Gobi Basin covers an area of 40,000 km² in the Gobi Desert of southern Mongolia. The basin is a complex terrane of Carboniferous to Cretaceous sediments formed in a foreland basin setting within the Central Asian Orogenic Belt. Due to the orogenic setting, the South Gobi Basin is structurally complex and deep faults segregate the basin into several sub-basins. The South Gobi Basin is host to significant bituminous coal resources in the Upper Permian section, however, the coal is not uniformly distributed throughout the basin due to the structural complexity. The presence of thick known coal deposits in the Tavan Tolgoi area make the Tavan Tolgoi coal seam gas exploration asset one of the lowest risk coal seam gas exploration target areas in the South Gobi Basin.

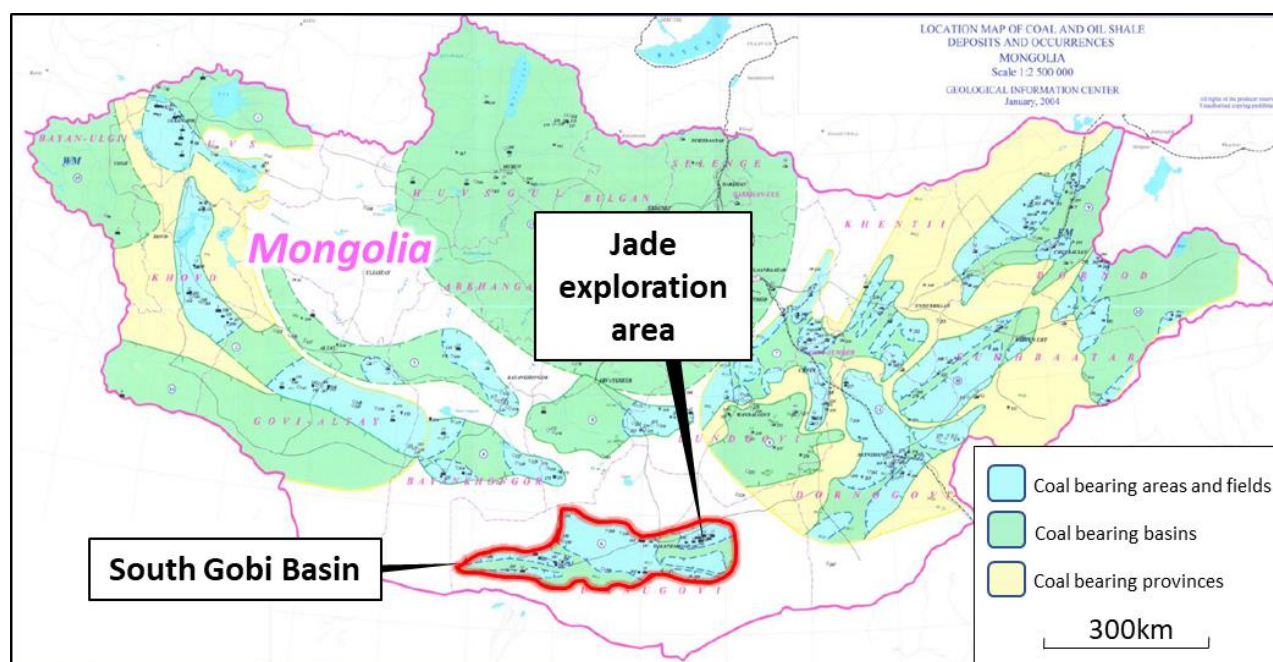


Figure 3-1: Location of the South Gobi Basin and Tavan Tolgoi

3.2. Tavan Tolgoi area geology

The coal seams of the Tavan Tolgoi district accumulated in the Ulaan Nuur Trough, a broad syncline developed as an intra-cratonic sub-basin. A large-scale east to northeast trending fault system bounds the basin to the north and can be identified in satellite imagery. Upper Permian coals accumulated in the subsiding basin and were subsequently faulted and folded by post-depositional tectonic events. The Tavan Tolgoi coalfield is comprised of a series of east-west trending synclines and anticlines. While much of the Tavan Tolgoi is gently to moderately inclined, dips in the flanks of these structures can exceed 40°. Numerous east-west trending normal faults bisect the coalfield. Significant east-west trending thrust faults form the coalfield boundaries throughout much of Tavan Tolgoi area, bringing underlying, older volcanics and non-coal-bearing formations to the surface and truncating the coal resource areas.

The Permian stratigraphy of the Tavan Tolgoi area is presented in Figure 3-2. The Upper Permian coal bearing stratigraphy and known coal seams (labelled as 0 to XIII) have a gross thickness in the Ulaan Nuur Trough of approximately 965 m.

Систем	Хэсэг	ИНДЕКС	Чулуулгийн багана	Давхраас	Зузаан	Тодорхойлолт
System	Series	Index	Lithology	Seam	Thickness	DESCRIPTION
PERMIAN SYSTEM	Upper Дээд хэсэг	Өн-ч				Сул барьцалдсан гравелитлаг элсэн чулуу
		Н				Базальтын дэл судлын биет
		Е				
		P ₁ tb ₂		XIII	- 965	Дээд зузаалаг: Бараан-саарал алевролит, саарал гравелит, элсэн чулуу X-XIII давхраасын нүүрс ургамлын үлдэгдэлтэй Upper series: Dark grey siltstone, grey gravelstone, sandstone X-XIII seams coal and fossil plant
				XII		
				XI		
				X		
				IX		
		P ₁ tb ₁		VIII		Дунд зузаалаг: Хайрга, конгломерат, гравелит, цайвар саарал өнгөтэй муу сортлогдсон ташуу үеллэг бараан саарал, саарал алевролит, VII-IX нүүрсний давхраасуудад ургамлын үлдэгдэл агуулна Mid-series: Gravel; conglomerate; gravelstone; bright to dark grey, poorly sorted, slope bedded siltstone, VII-IX coal seams with fossil plant.
				V		
				IV		
				III		Доод зузаалаг: Бараан-саарал алевролит, нүүрслэг аргиллит, саарал элсэн чулуу, гравелит, 0-V давхраасын нүүрс флороор баялаг, цэвэр усны молюск Lower Series: Siltstone, carb.mud.sl, sand.s, 0-V seams with abundant flora
				0		
PERMIAN SYSTEM	Lower Доод хэсэг	P ₁ ch			200-250	Цанхи формац: Хар-сарал, хүрэн аргиллит, алевролит, элсэн чулуу, гравелит, хуудсархаг занар, шохойлог чулуу, арагонит, цэвэр усны молюск болон флор ихтэй Tsankhi Formation: Sandstone, siltstone, mudstone,
		P ₂ qr			300-1200	Жирэм формац: Улаан, улаан-хүрэн, янз бүрийн хайргатай конгломерат, конглобрекчи, элсэн чулуу, алаг өнгөтэй алевролит, шаварлаг занар ба бүдүүн хэмтэй шавар Jirem Formation: Red, red-brown, various particled conglomerate, conglobreccia, sandstone, spotty siltstone, clay shale and course particle clay.
		P ₁ cc			400-900	Цогтцэций формац: Цайвар бор-хүрэн, бараан ногоон туф конгломерат, туф элсэн чулуу, алевролит (ургамлын үлдэгдэлтэй) үнслэг туф, андезит, андезит-туфбрекчи дацит Tsogtsetsii Formation: Light brown, dark green tuff conglomerate, tuff sandstone, siltstone with fossil plant, ash tuff, andesite, andesite-tuff breccia dacite.
		C ₁ P ₁ ds			800-1100	Дөш формац: Цайвар ногоон хүрэн өнгийн массивлаг андезит, андезит-базальт, диабазын үе, мэшилтэй андезит-дацит, нүх сүвэрхэг андезит, туф конгломерат, игнимбрит тэдгээрийн туфлууд Dush Formation: Light green, brown colored massive textured andesite, andesite-basalt, diabaz, xenolited andesite-dacite, tuff conglomerate, ignimbrite its tuff

Figure 3-2: Late Permian Tavan Tolgoi group stratigraphy

Due to the significant historical coal exploration in the area, and the excellent outcrop of geology on the surface, there is a detailed understanding of coal distribution in the area. The detailed geological map of the Tavan Tolgoi area is presented on Figure 3-3. The geological map shows bedding dips and areas of known coal at the surface. The legend to the geological map and associated cross sections is presented in Figure 3-4.

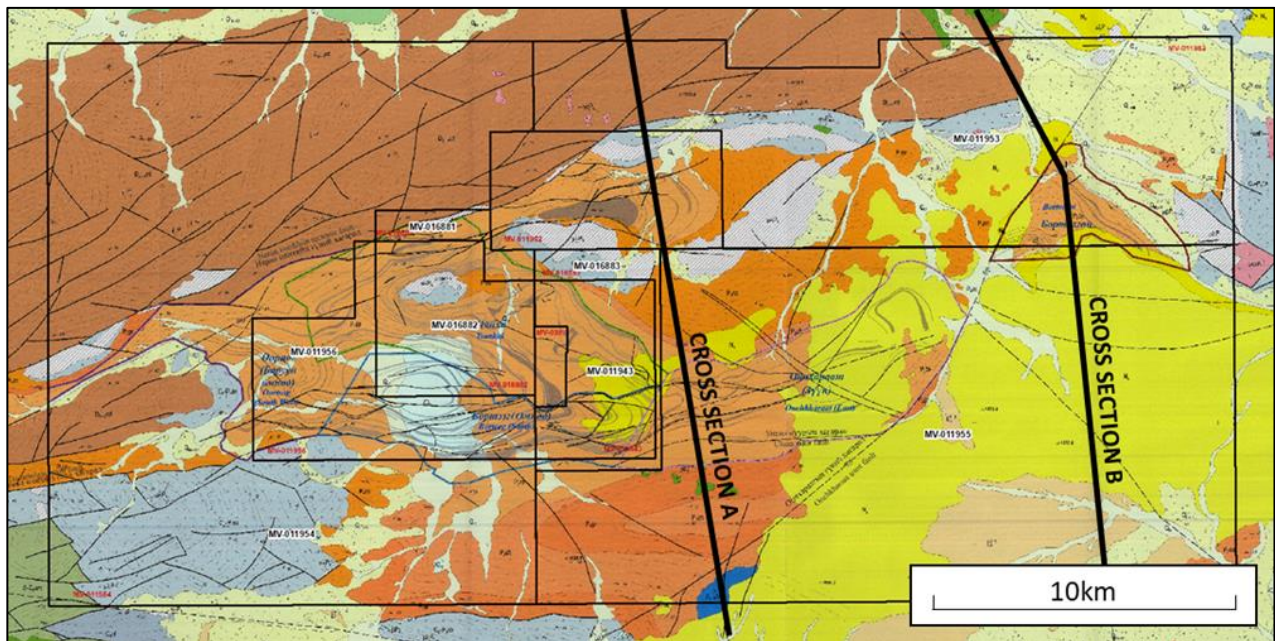


Figure 3-3: Geological map of the Tavan Tolgoi area

Таних тэмдэг LEGEND

 Q_{IV} Голоцен. Нуурын хурдас, эхс, шавар <i>Quaternary - Holocene. Sand, clay</i>	 Q_{IV} Голоцен. Аллюви-пролюви гаралтай дэврлэ, эхс шавар, зануу, салхны гаралтай эхс <i>Holocene. Alluvial-proluvial stony meteorite, sand, wind sand</i>
 Q_{III-IV} Плейстоцен. Дөлхөн хайрга, том ширхэгтэй хайрга, шавранцар, хайрга, эхс, элсэнүүр <i>Pleistocene. Deluvial gravel, coarse grained gravel, clay, sand</i>	 Q_{III-IV} Плейстоцен. Ангилалдаагүй хурдас, Дөлхөн-пролюви гаралтай эхс, шавар, том ширхэгтэй эхс <i>Pleistocene. Unclassified sequences. Deluvial-proluvial sand, clay, coarse grained sand</i>
 N₂ Плиоцен. Сүл цементлэгдсэн элсэнүүр, конгломерат, дэврлэ, сайрга, ягаан шавар бүхий эхс <i>Pliocene. Poorly cemented sandstone, conglomerate, stony meteorite, sand with pink colored clay</i>	 N₁ Милоцен. Улаан, ногоон өнгөн сүл цементлэгдсэн шавар <i>Miocene. Red, green colored poorly cemented clay</i>
 E₃₋₂₋₁ Олигоцен. Ягаантар өнгийн элсэн чулуу, эхс, нүх сүлэрхэг уласт-хүрэн шавар <i>Oligocene. Pinkish colored sandstone, sand, red-brown variegated clay</i>	 K_{ss} Дээд цэрд. Сайшанд формац. Алаг өнгийн конгломерат, элсэнүүр, шавар <i>Upper Cretaceous. Sandstone formation. Diverse colored conglomerate, sandstone, clay</i>
 K_{bs} Дээд цэрд. Баянцүрээ формац. Ангилалдаагүй улаан өнгийн элсэнүүр, гравелин, алевралит <i>Upper Cretaceous. Bayanzurui formation. Unclassified red colored sandstone, gravelstone, siltstone</i>	 J_{3cu} Дээд цэрд. Цэцэг уул формац. Конгломерат, элсэнүүр, алевралит, шаварлаг ба нүүрсгэг занар, нүүрс, мөргөл, алевралит, гилс, хүчилтэй найрлагатай туф <i>Upper Jurassic. Tsetii uul formation. Conglomerate, sandstone, siltstone, argillaceous and carbonaceous shale, coal, turf, siltstone, gypsum, felsic tuff</i>
 J_{3sh} Дээд цэрд. Шарил формац. Ногоон өнгийн конгломерат, гравелин, элсэнүүр, шавар <i>Upper Jurassic. Sharil formation. Green colored conglomerate, gravelstone, sandstone, clay</i>	 P_{2ch} Перм. Гваделуп. Цанх формац. Хар, хар саарал, шаравтар бор, хахавтар өнгөтэй, зануужин, элсэн чулуу, занар, карбонатлаг занар, шохойн чулуу <i>Permian. Guadalup. Tsankh formation. Black, black grey, yellowish brown, light blue colored siltstone, sandstone, shale, carbonaceous siltstone, limestone</i>
 J₂₋₁ Доод дунд цэрд. Хамар-Хөөвөр формац. Бор шаргал өнгийн конгломерат, том ширхэгтэй хайрга, элсэнүүр, алевралит, нүүрсгэг занар <i>Lower-Mid Jurassic. Khamar-Khuvur formation. Brownish yellow colored conglomerate, coarse grained gravel, sandstone, siltstone, carbonaceous shale</i>	 P_{2cc} Перм. Гваделуп. Цанх формац. Хар, хар саарал, шаравтар бор, хахавтар өнгөтэй, зануужин, элсэн чулуу, занар, карбонатлаг занар, шохойн чулуу <i>Permian. Guadalup. Tsankh formation. Black, black grey, yellowish brown, light blue colored siltstone, sandstone, shale, carbonaceous siltstone, limestone</i>
 P_{2lb} Перм. Гваделуп. Тавантолгой формац. Зануужин, шаваржин, элсэн чулуу, ногоовтор хайрагжин, хортон чулуу, нүүрс агхузна <i>Permian. Guadalup. Tavantolgoi formation. Aleurite/siltstone, mudstone, sandstone, greenish gravelstone, conglomerate, coal</i>	 P_{1cc} Перм. Сизурац. Цогтүрлийн формац. Цайвар-бор, шаравтар бор, барааншуу ногоон нүхтэг конгломерат, туф, андезит, нөдөлтийн брекч, дацит <i>Permian. Sizurac. Tsogturiin formation. Light brown, yellowish brown, dark green argillaceous conglomerate, tuff, andesite, andesite-breccia, dacite</i>
 P_{2gr} Перм. Гваделуп. Жирэм формац. Улаавтар бор өнгийн конгломерат, конгломератын брекч, элсэн чулуу, зануужин, шавар <i>Permian. Guadalup. Jirum formation. Reddish brown colored conglomerate, conglomerate breccia, sandstone, siltstone, mudstone</i>	 C_{1is} Карбон. Миссисипи. Икхантай формац. Элсэн чулуу, шаварлаг алевралит, арнелин, олигочикт болон нозимикт конгломератаас бүрдэж хооронд ойндог найрлагатай туф, туффит агхузна <i>Carboniferous. Mississippi. Ikhkantai formation. Sandstone, mudstone, oligomict and polymict conglomerate, rare felsic tuff, tuffite</i>
 C_{2-P} Карбон. Пенсильван.-Перм. Сизурац. Довш-Овоо формац. Андезит, андезит-дацит, дацит, туф, хүчилтэй туф бүрдэж Терриген чулуулагт шаварлаг-цахирлаг шохойн чулууны үгд <i>Carboniferous. Pennsylvanian - Permian. Sizurac. Dovsh-Ovoo formation. Andesite, andesite-dacite, dacite, tuff, buff-breccia. Terrigenous rock including clay-siltaceous limestone beddings</i>	 S-D_{nm} Силур-доод девон. Нонгон уул формац. Сүүртлэг лав, туф бүхий вулканоген, диабаз, стиклит болон хас бүсийн вулканоген-цахирлаг хурдас <i>Silurian-Lower Devonian. Nongon uul formation. Mafic lava, volcanic tuff, diabase, volcanic-siliceous sequence</i>
 D_{2-3cs} Дунд-дүүд девон. Цэцэгшиланд формац. Бараан саарал кварцит, цахиурлаг элсэн чулуу, цахиурлаг занарын салаачилсан үзэс галзлон бүрдэж, хас, кварцит, шохойн чулууны нүхсэн үгд <i>Mid-upper Devonian. Tsagtsikhand formation. Dark grey quartzite, siliceous sandstone, siliceous siltstone, narrow limestone beddings</i>	
Түүрү пермийн субвулкан чулуулаг <i>Early Permian sub-volcanic rocks</i>	
 muP₁ Перм. Сизурац. Дацит, риодацит, трахирит, игнимбрит, дэл сүдүүд <i>Permian. Docite, rhyodacite, trachyrhyolites, ignimbrite, dykes</i>	 muP₁ Перм. Сизурац. Габбро-долерит, сизурац <i>Permian. Gabbro-dolerite, silt</i>
Түүрү пермийн интрузив чулуулаг <i>Early Permian intrusive rocks</i>	
 betaE₁₋₂ Олигоцен. Базальт <i>Oligocene. Basalt</i>	
 gammaP₁ Перм. Сизурац. Гранит-профир, гранит <i>Permian. Granite-porphyr, granite</i>	 gammaP₁ Перм. Сизурац. Граносиенит-порфир <i>Permian. Granosyenite-porphyr</i>
 gammaE₁ Перм. Сизурац. Граносиенит	
Дунд палеозойн интрузив иж бүрдэл <i>Mid-Paleozoic intrusive series</i>	
 sigmaP₂ Серпентинит, серпентинитжсэн перидотит, Syenite, syenite-peridotite, gabbro-pyroxenite, gabbro-pyroxenite, gabbrodiorite	
 ++ Гранит-профир <i>Granite-porphyr</i>	 Y Y Граносиенит <i>Granite-syenite</i>
 V V Андезит, андезит-дацит <i>Andesite, andesite-dacite</i>	 Y Y Граносиенит профир <i>Granosyenite porphyry</i>
 L L Базальт <i>Basalt</i>	 Gamma Gamma Габбро <i>Gabbro</i>
 V V V Андезит, андезит-дацит <i>Andesite, andesite-dacite</i>	 L L L Базальт <i>Basalt</i>
 a b c Тектоник хагарал: a. Огшилт b. Тогтоогдсон в. Таамагласан <i>Tectonic faults: a. Displacement-unknown b. Identified c. Hypothetic</i>	 1518.8 Өндөржилтийн үзэс <i>Elevation point</i>
 --- Тусгай зовшоортийн хяз <i>License boundary</i>	 --- Чулуулгийн сунал багасан шугам <i>Lines belong to rock strike</i>
	 --- Нүүрсний гарин <i>Coal outcrop</i>

Figure 3-4: Legend to the Tavan Tolgoi geological map and cross sections

Two representative cross sections through the area, highlighted on the geological map, are presented in Figure 3-5 and Figure 3-6. The section of known coal bearing stratigraphy is labelled as P₂tb.

4. Tavan Tolgoi asset

4.1. Introduction

Jade has a 60% working interest in a PSA for coal bed methane exploration and exploitation over the Tavan Tolgoi area. Prior to the award of the PSA, the joint venture held eight prospecting agreements over the Tavan Tolgoi area. Of the eight prospecting agreements, the MV-011943 area has not been included in the PSA, (Table 4-1).

Table 4-1: Prospecting agreement areas within the Tavan Tolgoi coal seam gas exploration asset

Prospecting Agreement	Area km ²	RISC calculated area km ²	Included in the PSA
MV-016881	5.57	5.57	5.57
MV-016882	24.47	24.47	24.47
MV-016883	7.00	7.00	7.00
MV-011943	20.56 ¹	20.40	Not included
MV-011953	128.61	128.60	128.60
MV-011954	229.02	229.02	229.02
MV-011955	238.06	238.06	238.06
MV-011956	31.51	31.51	31.51
Total area	684.8km²	684.64km²	664.24km²
Notes:			
¹ Area not provided but calculated by RISC from Total area number minus all the other agreement areas provided			

The PSA area totals 664.24km², the location of the PSA area is provided in Figure 4-1.

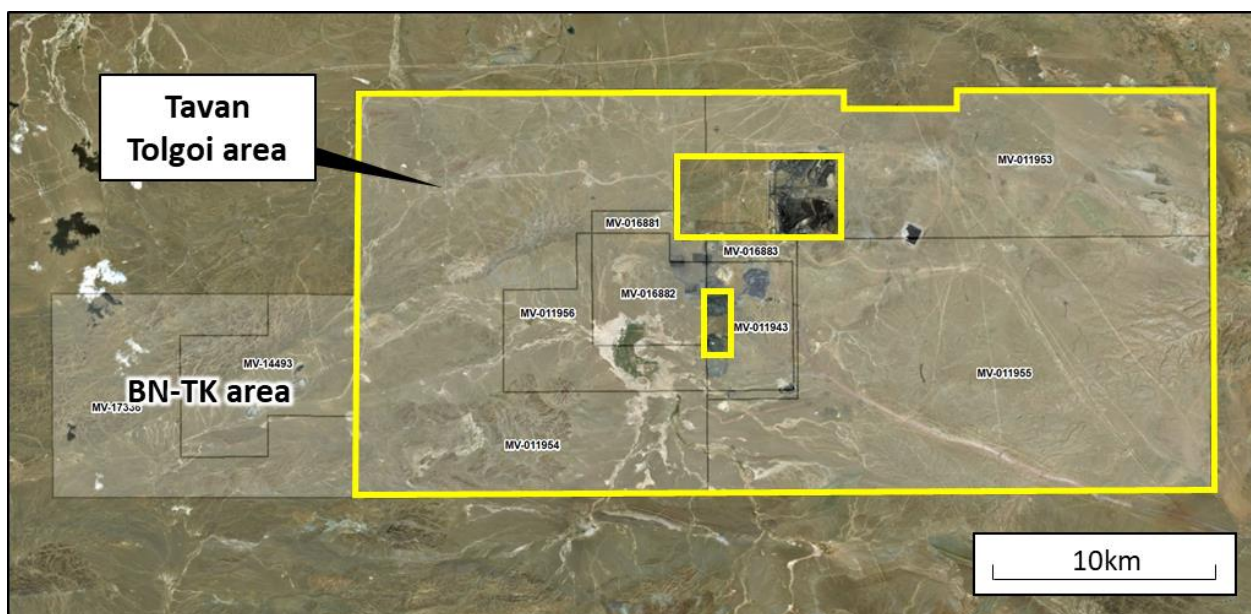


Figure 4-1: Location of the Tavan Tolgoi PSA area

RISC have reviewed the PSA terms and can confirm they are industry standard and comparable to other PSA terms in Mongolia. Key terms of the PSA are presented in Table 4-2.

Table 4-2: Tavan Tolgoi PSA terms

Initial term	10 years (in phases of 4 years + 3 years + 3 years)
Signature bonus	US\$ 50k
Training bonus	US\$ 100k/year
Royalty	Industry standard
Production split	Industry standard
Minimum work program commitments	Annual

An operating coal mine exists within the centre of the Tavan Tolgoi area. The location of coal mine activity as depicted by satellite imagery is shown in Figure 4-2. A 500 m buffer has been indicated around the areas interpreted as current mining activity from satellite imagery.

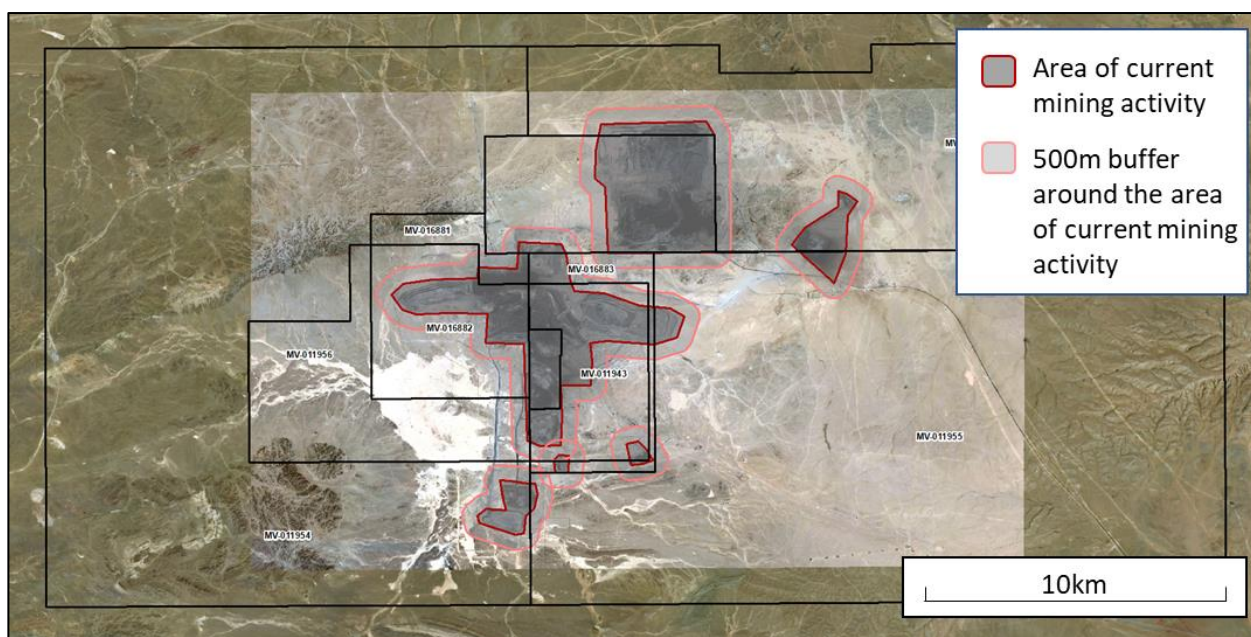


Figure 4-2: Tavan Tolgoi coal mine activity

4.2. Data

There are three boreholes (M-01, M-05 and M-06) within the Tavan Tolgoi coal mining licence drilled by KOGAS in 2014 to a depth of approximately 800 m below ground level. Data from these three boreholes includes thickness of the coal seams. Gas content information is only available from the M-05 well, however, no information is supplied documenting how the gas content measurements were conducted. No desorption curves or isotherm are available, and there is no description of the measurement methodology and correction for gas lost.

In addition to the KOGAS wells, Jade drilled eight wells in 2019 to target depths of between 500 m and 800 m to determine net coal measurements in the area to the west of the Tavan Tolgoi mine. The location of the wells is provided on Figure 4-3.

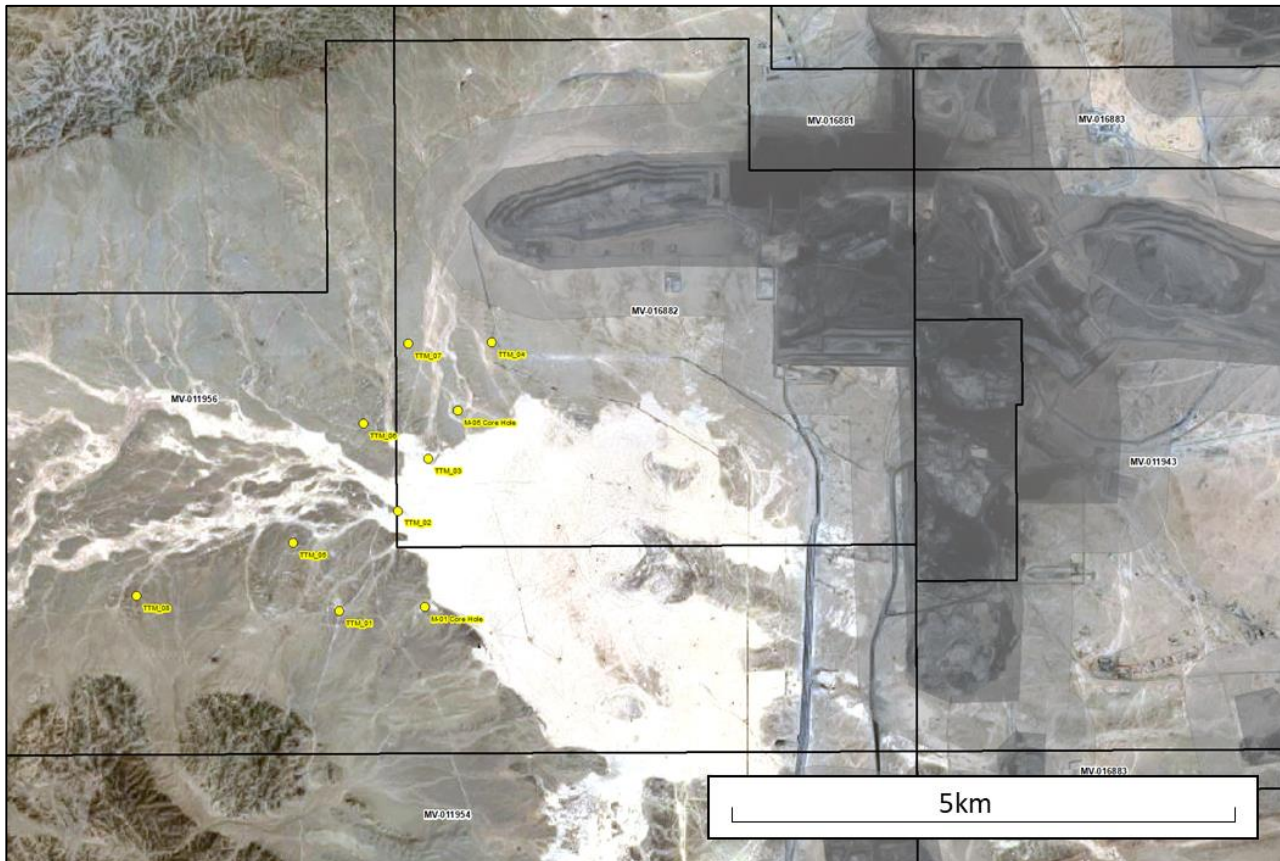


Figure 4-3: Location of the Jade wells and existing KOGAS wells in the Tavan Tolgoi coal seam gas exploration area

4.3. Resources estimate

Estimating the prospective resource of the asset is challenging due to the paucity of existing data on coal seam gas potential. Permeability data and gas adsorption isotherm data are not yet available.

The excellent surface control of known coal seams allows an area of prospective coal seam gas in the area to be defined. The area of proven and potential coal in the prospecting agreement areas is provided in Figure 4-4.

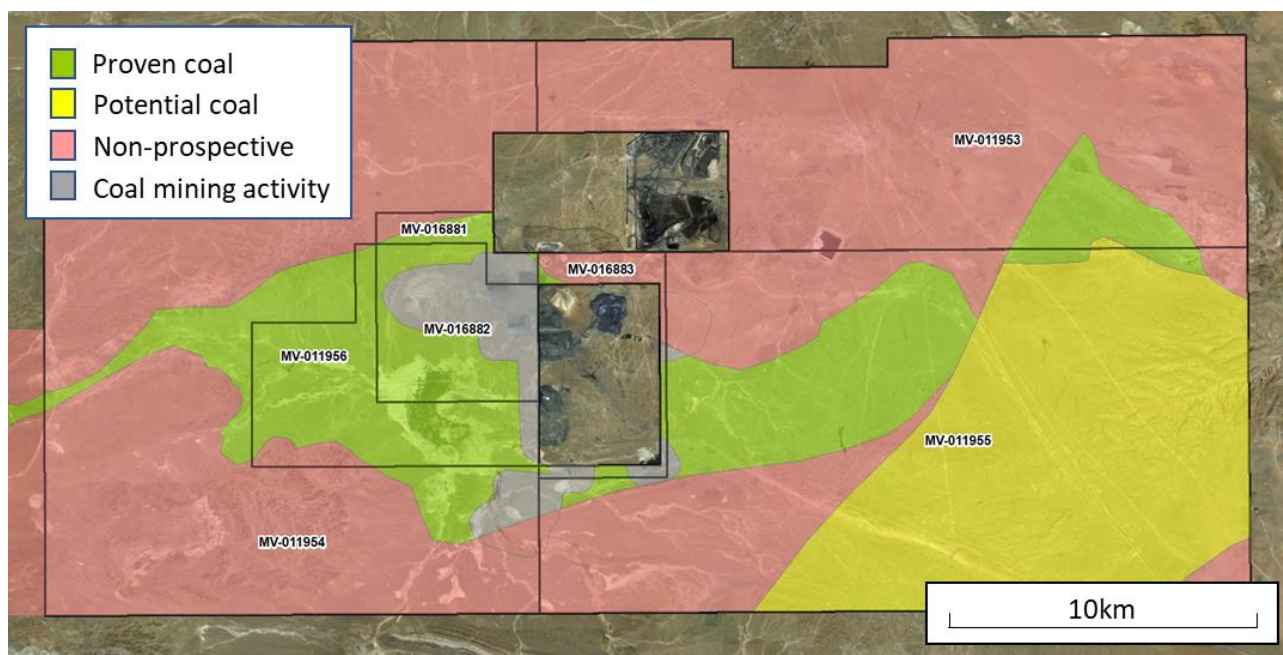


Figure 4-4: The distribution of proven and potential coal in the Tavan Tolgoi coal seam gas exploration area

The areas depicted on Figure 4-4 have been calculated and are provided in Table 4-3. A total of 21% of the total area (139 km²) is areas of proven coal. Surface access to 21 km² of that area is currently complicated by mining activity but has been used in the estimation of prospective resource.

Table 4-3: The distribution of proven and potential coal in the Tavan Tolgoi coal seam gas exploration area

Area (description)	Area (km ²)	% of total area
Total area of the PSA	664	100%
Area considered non-prospective	400	60%
Area with proven coal (outside the area of coal mine activity)	118	18%
Area with proven coal (inside the area of coal mine activity)	21	3%
Area with potential coal	125	19%

Jade have used a best estimate area of 222 km² in their estimate of GIIP. The other input parameters for Jade's GIIP estimate are provided in Table 4-4.

Table 4-4: Jade GIIP calculation input parameters for the Tavan Tolgoi area

Input	Unit	Low	Best	High	Distribution
Area	km ²	134	222	367	lognormal
Net coal	m	40	85	200	lognormal
Coal density	g/cm ³	1.42	1.53	1.69	lognormal
Gas content	cm ³ /g	3	5	12	lognormal
Ash content	%	16	20	44	lognormal
Moisture content	decimal	0.003	0.0064	0.009	normal
GIIP (Bscf)		1,710	4,570	12,280	

The input parameters used by Jade for their gas in-place estimate appear reasonable although must be caveated by the lack of data for coal seam gas potential currently available on the asset.

Net coal seam thickness has been calculated from the Tavan Tolgoi M-05 and M-06 borehole using the logs to determine the top and base of the coal seams. Independent of depth, the total thickness is 47 m and 128 m using a 3 m and 5 m thickness cut off. Based on the number of coal seams, Jade have estimated a range in net coal thickness of 40 to 200m, with a best estimate of 85 m.

Coal density, gas content, ash content and moisture content have all been estimated from the M-05 borehole data. M-05 contains 11 coal seams deeper than 300 m, five of which are greater than 3 m thick, and three of which have enough gas content to be productive for coal seam gas. The gas content range predicted by Jade is supported by gas recovered from wellsite gas adsorption laboratory analysis by Elixir in their Nomgon-1 CSG core hole. This core hole is 80 km south of Tavan Tolgoi and measured raw gas from 2.4 cm³/g to 7.5 cm³/g, with an average raw gas content of 5.3 cm³/g².

Jade have accounted for the lack of recovery information currently available over the asset by applying a chance of geological success to the play. Jade estimate a 27% chance of geological success. The biggest risk is the coal characteristics given the lack of current data on coal permeability and cleat data.

Jade has estimated gas in-place across the area of between 1.7 Tscf to 12.3 Tscf with a best-case estimate of 4.6 Tscf.

Gas recovery factors have been estimated between 25-60% with a best estimate of 40%. This best-estimate recovery factor is based on the drilling of 4,043 wells with an ultimate recovery per well of 0.45 Bscf, (Table 4-5).

² Elixir Energy ASX announcement. 26 February 2020. Coal seam gas discovery at Nomgon-1

Table 4-5: Jade estimate of ultimate recovery in the Tavan Tolgoi area

	Low	Best	High
Area (km ²)	134	222	367
GIIP (Bscf)	1,710	4,570	12,280
Recovery Factor (%)	25%	40%	60%
Ultimate Recovery (Bscf)	427.5	1,828	7,368
Number of wells	2,121	4,043	7,325
Ultimate recovery / well	0.20	0.45	1.01
Well density (wells per km ²)	15.8	18.2	20.0
Well spacing (m)	251	234	224

The calculated well spacing for the recovery estimate of between 224 m and 251 m is very tight. The tightest example of coal seam gas development well spacing we have found globally is 300 m. Some coal seam gas developments in the Powder River Basin, Wyoming and the Ordos Basin, China are in the order of 300-400 m well spacing. Typically, well spacing in coal seam gas plays is closer to 750 m or 1000 m. Development in the Walloon coal seam gas play in Queensland Australia is typically 750 m, (Figure 4-5). Development in the Bowen Basin coal seam gas play in Queensland, Australia is typically 1000 m.

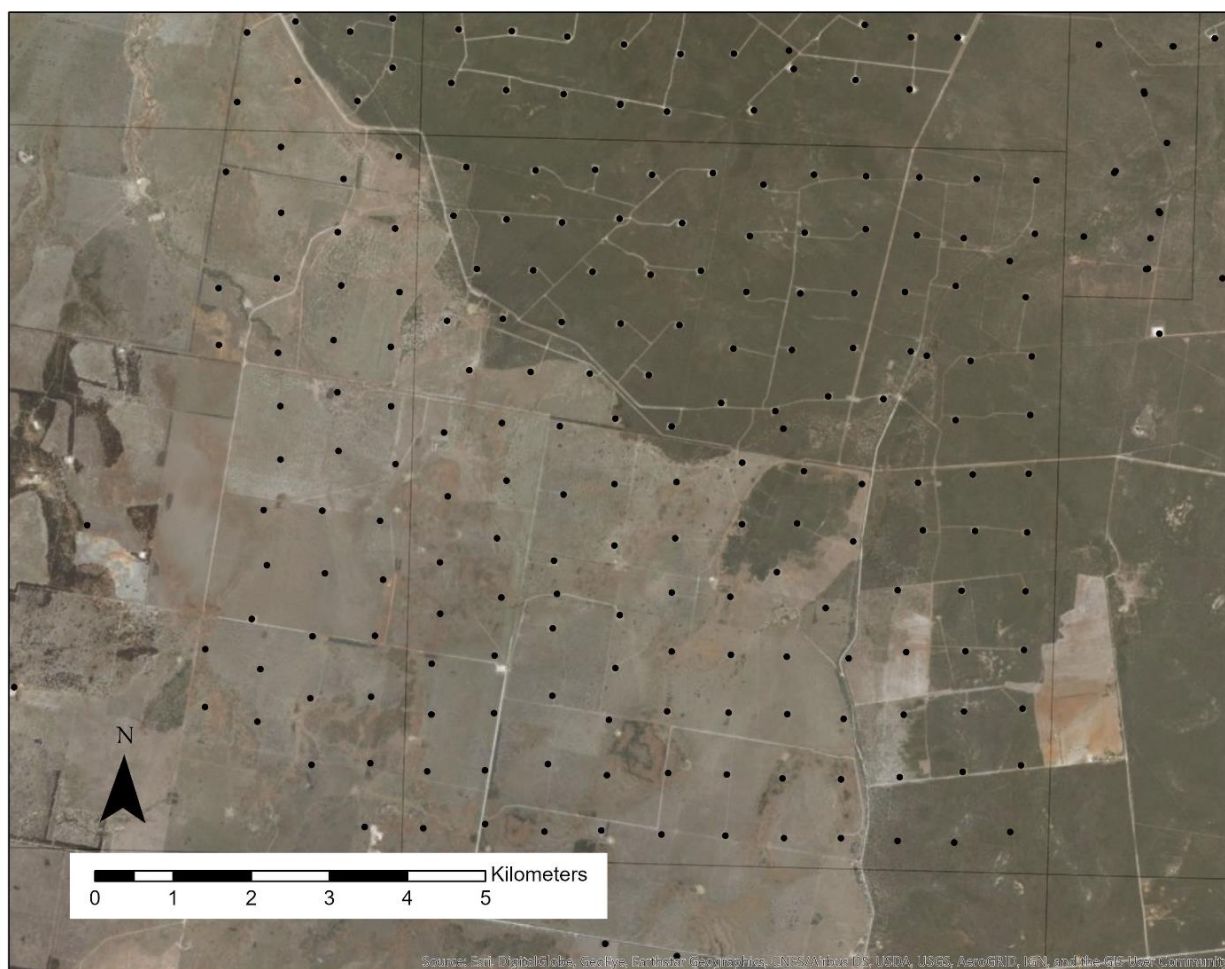


Figure 4-5: Vertical well spacing of 750m in the Condabri APLNG Walloon coal seam gas development, Queensland, Australia

An alternative approach to calculating resource potential of an area is working up from well ultimate recovery expectations and well density. The ‘*how many wells can fit in to this area?*’ and ‘*how much could the wells deliver*’ approach.

Given the necessity for large amounts of wells in coal seam gas developments, and the importance of recovery per well over original gas in-place estimates, RISC favors an approach on calculating prospective resources from recovery per well rather than GIIP multiplied by recovery factor.

RISC calculate the area of potential development in the permit areas to be between 158 km² (low) and 249 km² (high).

A resource range can be described by considering different estimates of ultimate recovery per well and a range of different well spacing density.

We considered a range of well spacing between 900 m (1.2 wells/km²) and 300 m (11.1 wells/km²), and a range of ultimate recovery per well of between 0.5 Bscf and 2 Bscf, both ranges typical of well spacing and recoveries per well in coal seam gas projects around the world.

These ranges were then multiplied probabilistically to produce a low, best and high estimate of ultimate recovery for the area as presented in Table 4-6.

Table 4-6: RISC estimate of ultimate recovery for the Tavan Tolgoi coal seam gas exploration asset

	Low	Best	High	Distribution
Prospective coal seam gas area (km ²)	158	203	249	Pert
Well spacing density (m)	900	600	300	Input
Wells per (km ²)	1.2	2.8	11.1	Pert
Estimate of ultimate recovery per well (Bscf)	0.5	1.0	2.0	Pert
Prospective resource range (Bscf)	216	1,044	3,062	Probabilistic output

Using this method RISC estimates a total prospective resource range of between 0.2 Tscf (low) and 3.1 Tscf (high) with a best case estimate of ultimate recovery of 1.0 Tscf.

4.4. Sunk costs

Prior the award of the PSA, Jade previously held the Tavan Tolgoi asset under eight prospecting agreements. Under the terms of the prospecting agreements, Jade was required to drill a total of 5000 m within the license area. A total of eight holes totaling 5,200 m were drilled by Jade in 2019 at a total cost of approximately US\$ 1 million (A\$ 1.45 million).

4.5. Work programs and commitments

The Tavan Tolgoi PSA is for 10 years broken into three phases. The first phase of the PSA is for four years and carries a minimum work program expenditure of US\$ 5.5 million, Table 4-7.

Table 4-7: Tavan Tolgoi PSA work program

Phase	Year	Indicative work program	Minimum expenditure
1	1	2-3 exploration wells (300m-900m deep) and market research	US\$ 1 million
	2	Core and sample analysis	US\$ 1.5 million
	3	3-4 appraisal wells	US\$ 1.5 million
	4	Production plant build and initial development	US\$ 1.5 million

5. Baraan Naran and Tsaikhar Khudag (BN-TK) areas

5.1. Introduction

Jade has entered an agreement with Khangad Exploration to form a joint venture to explore for coal seam gas under the Baruun Naran (MV-14493) and Tsaikhar Khudag (MV-17336) coal mining license areas. Collectively referred to as the BN-TK area. Jade has a 66% interest in the joint venture. The joint venture will firstly apply for prospecting agreements over the two licenses followed by the application of a PSA. The BN-TK area is located directly to the west of the Tavan Tolgoi area, (Figure 5-1).

Proposed terms and contract obligations of the proposed prospecting agreements are not yet available.

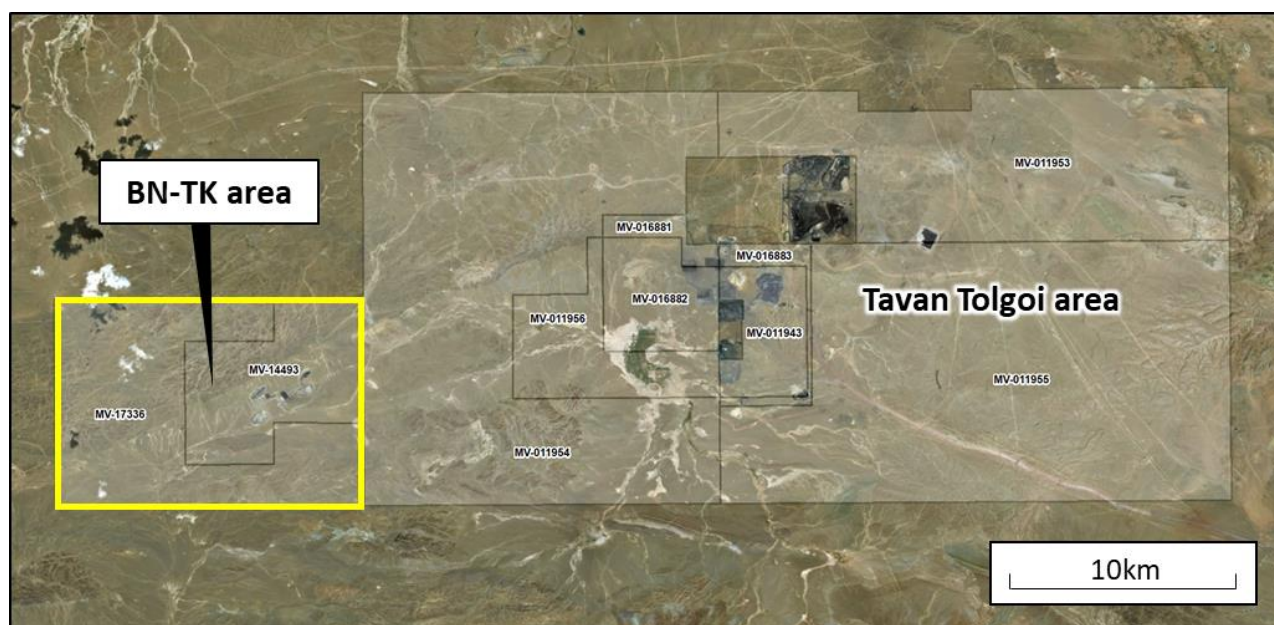


Figure 5-1: Location of the BN-TK area

An operating coal mine exists within the proposed prospecting agreements area. The location of coal mine activity as depicted by satellite imagery is shown in Figure 5-2. The coal mine activity affects only the Baruun Naran (MV-14493) area. A 500 m buffer has been indicated around the areas interpreted as current activity from satellite imagery.

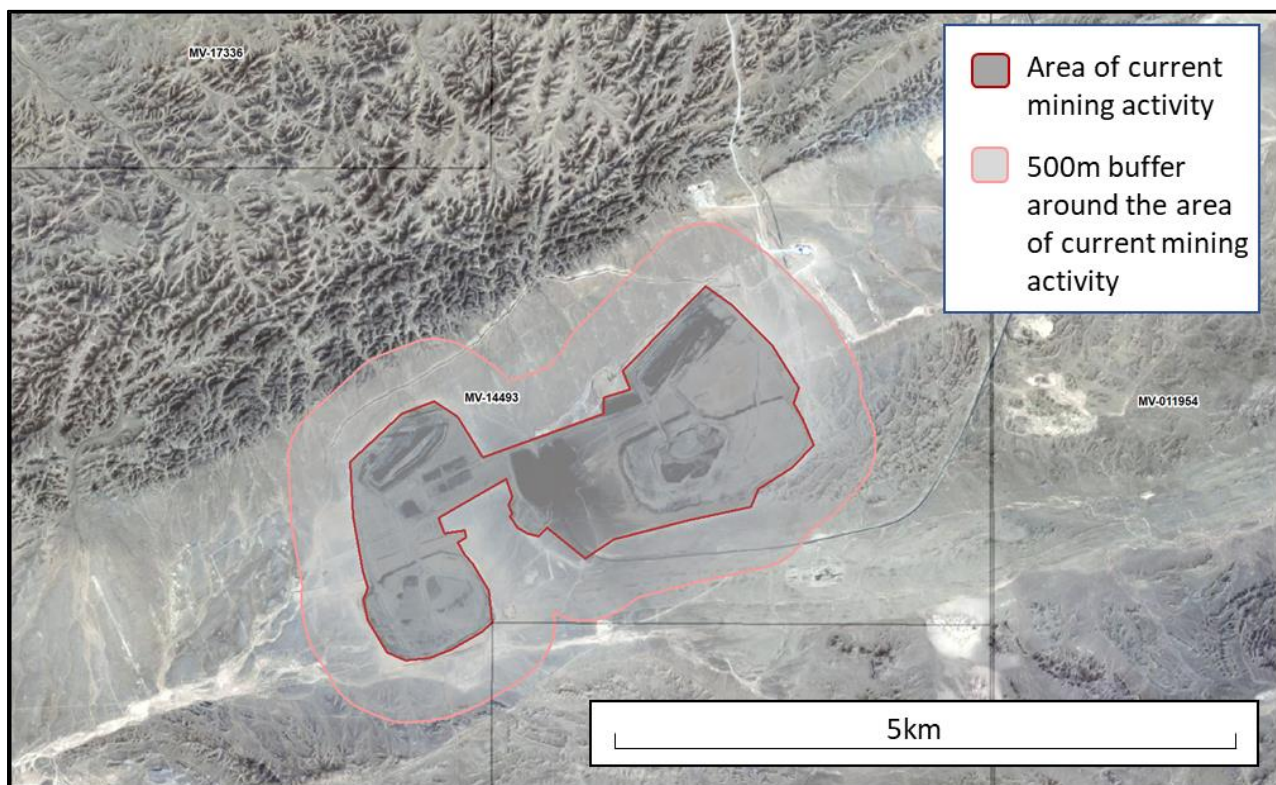


Figure 5-2: BN-TK area coal mine activity

5.2. Data

A significant amount of borehole and seismic data has been acquired over the BN-TK area for coal exploration. Two significant programs of borehole drilling have been undertaken by QGC between 2005-2010 and the Mongolian Mining Corporation (MMC) between 2011-2012, (Figure 5-3).

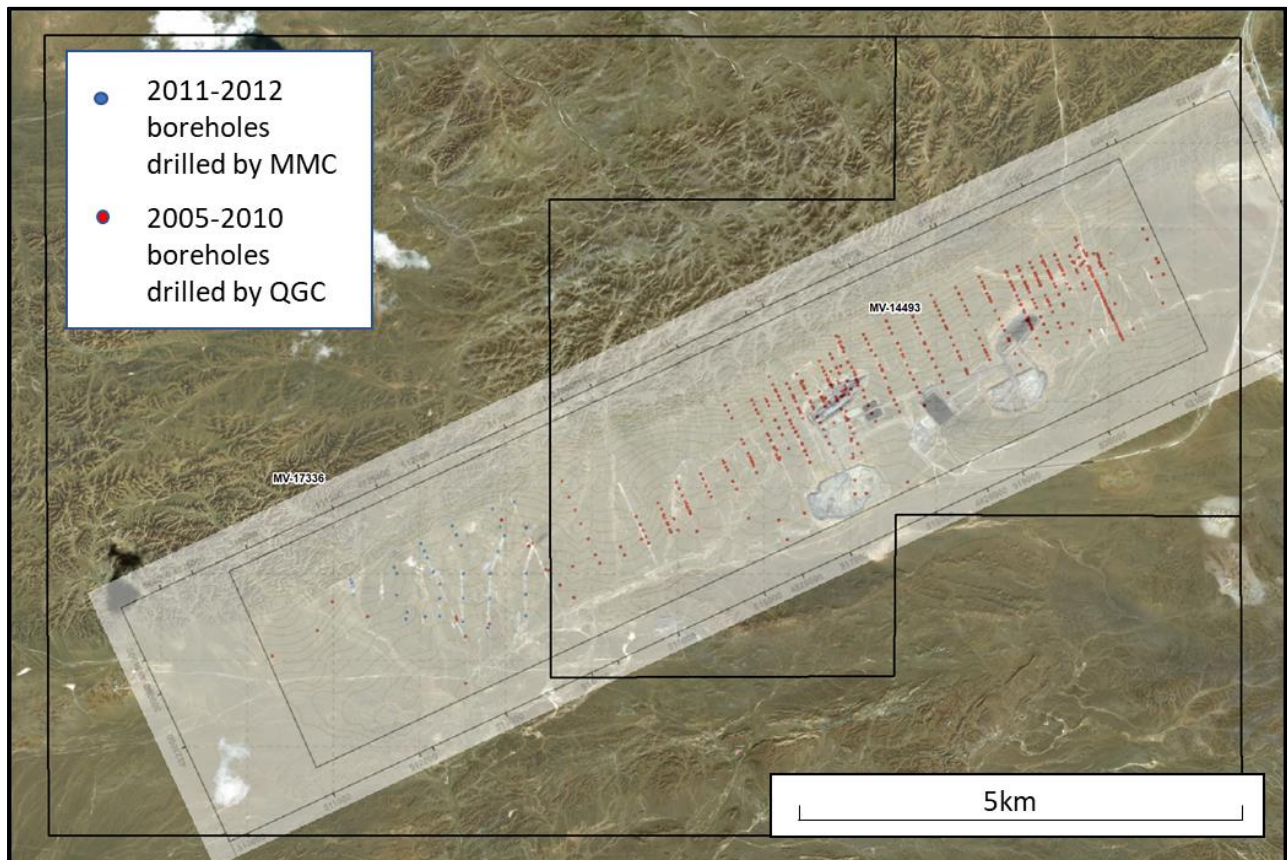


Figure 5-3: Location of boreholes drilled in the BN-TK area.

A grid of 2D seismic data has also been acquired over the project area in 2011 by MMC.

The borehole data, seismic data and excellent geological outcrop of the area make for an excellent understanding of the subsurface.

Figure 5-4 shows a cross section through the BN-TK area. The coal seams exist over an area of approximately 1.2 km north to south, and 6km northeast to southwest. The cross section, presented at true vertical scale, shows the very steep dips of the coal seams in the area.

Borehole and seismic data over the BN-TK area has not been provided to RISC.

The geological map of the BN-TK area indicating the distribution of known coal bearing section (labelled on the map as P₂tb) is provided in Figure 5-5.

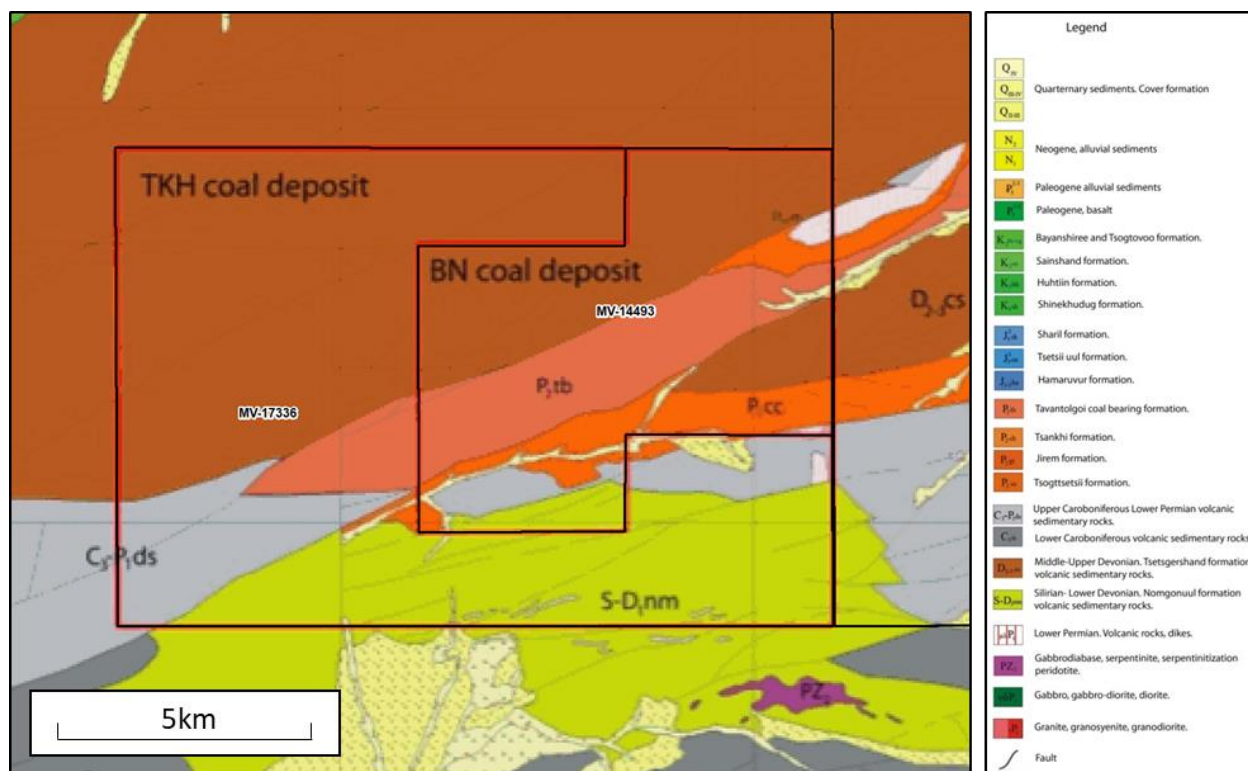


Figure 5-5: Geological map of the BN-TK area

5.3. Resources estimate

Estimating the prospective resource of the project area is challenging due to the paucity of existing data on coal seam gas potential. Permeability data and gas adsorption isotherm data are not yet available.

The excellent surface control of known coal seams allows an area of prospective coal seam gas in the area to be defined. The area of proven coal in the BN-TK area is provided in Figure 5-6.

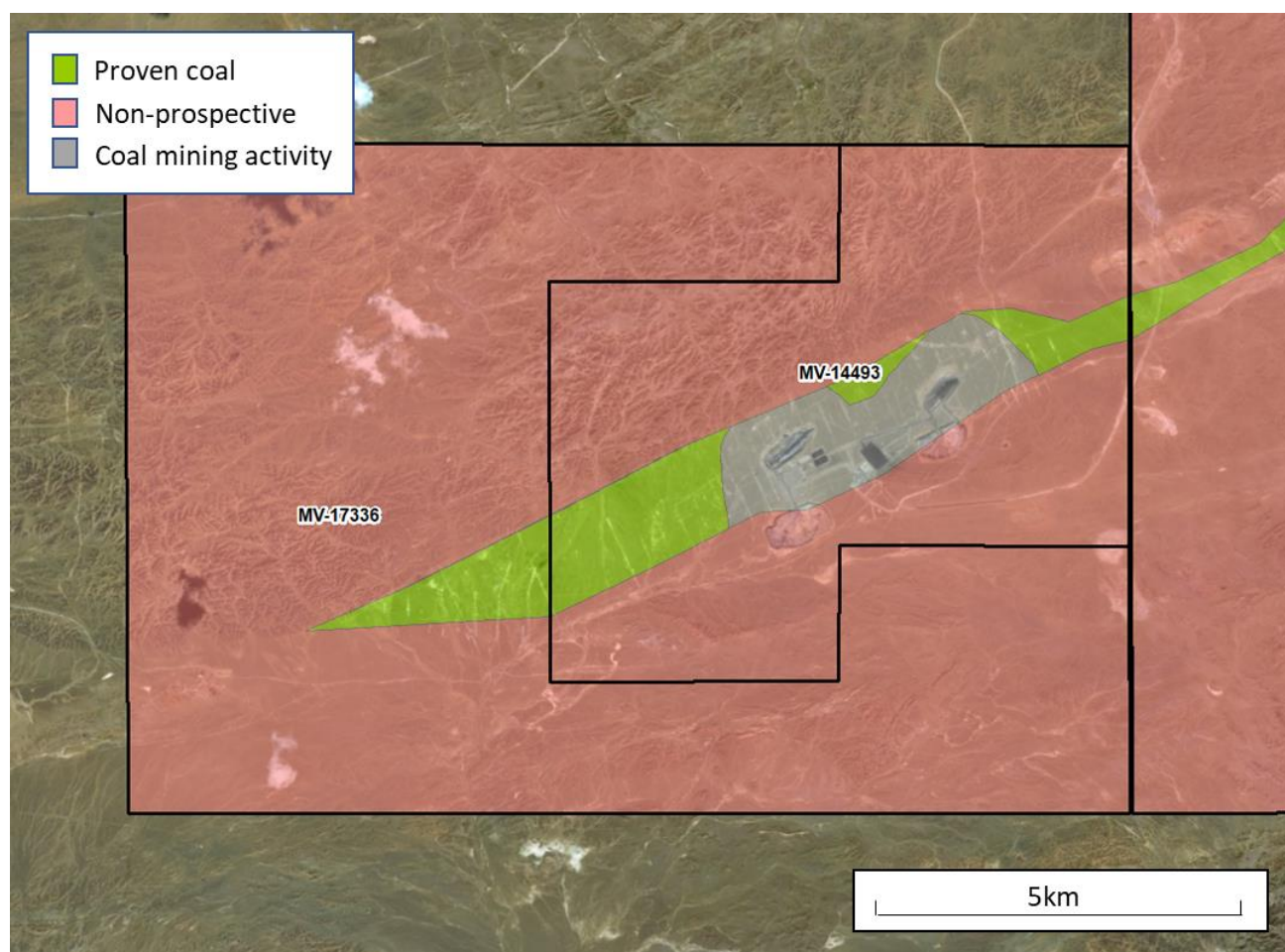


Figure 5-6: The distribution of proven coal in the BN-TK area

The areas depicted on Figure 5-6 have been calculated and are provided in Table 5-1. A total of 10% of the total area (12.7 km²) is proven coal. Surface access to 5.5 km² of that area is currently complicated by mining activity but has been used in the estimation of prospective resource.

Table 5-1: The distribution of proven and potential coal in the BN-TK area

Area (description)	Area (km ²)	% of total area
Total area of the prospecting agreements	128.5	100%
Area considered non-prospective	115.8	90%
Area with proven coal (outside the area of coal mine activity)	7.2	6%
Area with proven coal (inside the area of coal mine activity)	5.5	4%

Jade have not provided a GIIP or resource estimate for the BN-TK area. RISC has estimated a resource range for the area by working up from well ultimate recovery expectations and development well drilling density.

RISC calculate the area of potential development from geological surface control to be 12.7 km². We used a range of between 10 km² and 15 km² in our resource estimate. We considered a range of well spacing

between 900 m (1.2 wells/km²) and 300 m (11.1 wells/km²), and a range of ultimate recovery per well of between 0.5 Bscf and 2 Bscf, both ranges typical of well spacing and recoveries per well in coal seam gas projects around the world.

These ranges were then multiplied probabilistically to produce a low, best and high estimate of ultimate recovery for the area as presented in Table 5-2.

Table 5-2: RISC estimate of ultimate recovery for the BN-TK area

	Low	Best	High	Distribution
Prospective coal seam gas area (km ²)	10.0	12.5	15.0	Pert
Well spacing density (m)	900	600	300	Input
Wells per (km ²)	1.2	2.8	11.1	Pert
Estimate of ultimate recovery per well (Bscf)	0.5	1.0	2.0	Pert
Prospective resource range (Bscf)	13	65	186	Probabilistic output

Using this method RISC estimates a prospective resource range of between 13 Bscf and 186 Bscf with a best-case estimate of ultimate recovery of 65 Bscf.

5.4. Sunk costs

No sunk costs have been spent to date as the joint venture have not yet secured the prospecting agreements.

5.5. Work programs and commitments

The work program commitments for the prospecting agreements have yet to be finalised. Jade have indicated that they expect the work commitment for the BN-TK prospect agreements to be proportional to those applied to the Tavan Tolgoi prospecting agreements on a \$/km² basis. Jade expect to commit between US\$270 k and US\$400 k (gross).

6. Comparable transaction analysis

To aid in our valuation, comparable transactions on coal seam gas exploration acreage deals have been identified. RISC has used a database compiled by GlobalData for identifying comparable transactions. A transaction was considered comparable if it met the following criteria:

- Coal seam gas asset transactions in the Asia-Pacific region
- Assets in the exploration or early development maturity stage as opposed to reserves and producing assets
- Transactions occurring since 3Q 2014. Assets transacting prior to the oil price crash of 3Q 2014 were transacting in a different deal landscape than to transactions we have seen post-3Q 2014

Only two comparable transactions have been identified, (Table 6-1).

Table 6-1: Comparable transactions to the proposed Jade – HGM transaction

Date / Country	Stage - Category	Transaction summary	Consideration	Estimated resources (Gross) (P50)	US\$/Bscf	Net acres	US\$/acre
			US\$ MM	Bscf			
Oct- 17 Mongolia	Exploration - Prospective Resources	Elixir Energy executed an option to acquire Golden Horde Limited; \$25,000 option fee + Elixir issued 79 MM shares	2.8	7,600	368	7,000,000	0.4
Nov- 15 Indonesia	Exploration / Early Development - Contingent (3C) + Prospective Resources	NuEnergy acquired Dart Energy (Indonesia) which holds 45% interest in Tanjung Enim PSC	0.5	242	2,066	61,554	8.12

The most comparable recent transaction is the Elixir-Golden Horde transaction from October 2017. This asset is in surrounding acreage to Tavan Tolgoi as shown in Figure 6-1. Although the Elixir PSC covers a larger area, the asset is considered higher risk due to the lack of significant proven coal discovered outside of the Tavan Tolgoi / BN-TK area. In recent drilling, Elixir has reported intersecting 7 m of net coal in their BO CH-1 ‘chip hole’ well³. In their Ugtall-1 core-hole well, Elixir reported intersecting 20.6 m of net coal (as of 25 November 2019⁴). Elixir intersected 71 m of net coal in their Nomgon-1 well⁵, the thickest seam having a net coal of 37 m. The Elixir intersected net coal is thinner than the net coal already discovered in the Tavan Tolgoi / BN-TK area. Jade’s GIIP estimate has assumed a net coal thickness range from 40 m (low) to 200 m (high) with a best estimate of 85 m. These estimates have been taken from the significant known control in the area from the Tavan Tolgoi coal mine area.

³ Elixir Energy ASX announcement. 11 November 2019 – Drilling update

⁴ Elixir Energy ASX announcement. 25 November 2019 – Drilling update

⁵ Elixir Energy ASX announcement. 26 February 2020 - Coal seam gas discovery at Nomgon-1

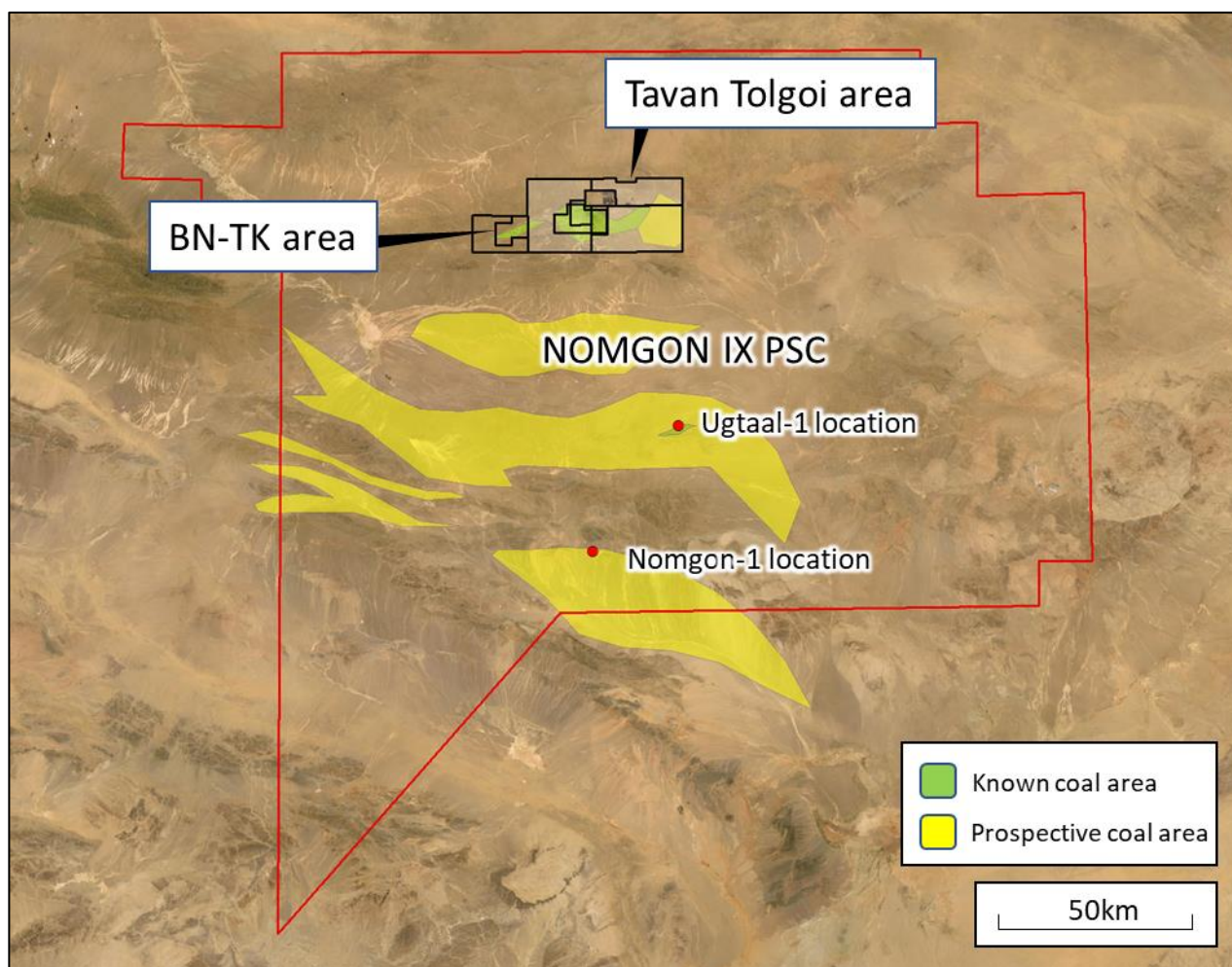


Figure 6-1: Nomgon IX CBM PSC, Elixir Energy

The value of the Elixir deal on a US\$/Bscf basis is 368 US\$/Bscf. RISC has not verified the Nomgon IX PSC resource estimate of 7.6 Tscf (P50).

Jade have estimated a P50 prospective resource (un-risked) of 1.8 Tscf. Using the calculated Elixir value metric of 368 US\$/Bscf would value the Jade asset at US\$0.7 million. As discussed above, RISC considers the Tavan Tolgoi asset to be lower risk than the Nomgon IX PSC area. A second comparable transaction is the acquisition of Dart Energy by NuEnergy in the Tanjung Enim PSC in Indonesia. This asset is more mature than the Tavan Tolgoi asset as it already had coal seam gas test data and contingent resources prior to the asset sale. Using the calculated NuEnergy value metric of 2,066 US\$/Bscf values the Tavan Tolgoi asset at US\$3.7 million (1.8Tscf multiplied by US\$2,066). RISC considers this value metric to be appropriate for the mid case value of the Tavan Tolgoi asset.

7. Jade valuation

In accordance with ASIC RG 111.64, RG 111.65, RISC has used multiple valuation methods to value the Jade assets. The various valuation methods are described in Section 2.2.3. The value estimates based on the different methods for each of the Jade assets can be found on Table 7-1 and Table 7-2. RISC has used the different valuation methods together to form the valuation range for each asset. RISC considers this the best approach to determine the value range of the assets.

7.1. Tavan Tolgoi PSA asset valuation

The estimate of value has assumed that Jade has a 60% working interest in the asset. Our analysis has used a US\$ to A\$ exchange rate of 1.44.

The value estimate of the asset has used sunk cost estimates, future work program commitments and comparable transactions.

The low case value estimate is the value of the sunk cost on the asset to date. The Tavan Tolgoi joint venture has spent approximately US\$1 million (A\$1.4 million) on maturing the technical understanding of the asset, principally in the acquisition of core data in the borehole program highlighted in Figure 4-3. The results have been suitably encouraging for the joint venture to retain the permit and progress evaluation. As a minimum, a farminee or buyer of the asset is estimated to pay 100% of the joint venture past costs with no premium for future investment.

The base case estimate has been valued using comparable transactions. The acquisition of Dart Energy by NuEnergy in the Tanjung Enim PSC in Indonesia is considered the most appropriate comparable transaction. Using the calculated NuEnergy value metric of 2,066 US\$/Bscf values the asset at US\$3.7 million (A\$5.3 million).

The high case estimate has been calculated from the cost of the work program Jade will be committing to the asset US\$ 5.5 million (A\$7.9 million). The high case estimate assumes that a willing buyer would offer a 2:1 promote to farm-in to the asset.

RISC estimates a fair market value range for the Jade interest in the Tavan Tolgoi asset of between A\$0.9 million and A\$4.8 million with a best estimate value of the asset of A\$3.2 million, (Table 7-1).

Table 7-1: Valuation of the Tavan Tolgoi asset, A\$ million

Asset	Valuation Range (A\$ Million)		
	Low	Best	High
Tavan Tolgoi (Gross)	1.4	5.3	7.9
Jade working interest	60%		
Tavan Tolgoi (net to Jade)	0.9	3.2	4.8
Valuation rationale	Sunk costs on the asset	Comparable transactions	Future work program commitments

7.2. BN-TK project valuation

The value estimate of the opportunity has used future work program commitments and farm-in promote factors.

The low value estimate of zero assumes that the prospecting agreements on the areas do not materialise. Our best and high case valuation assumes the opportunity materialises into an asset. The high case estimate considers the indicated future work program commitments and assumes that a willing buyer would offer a 2:1 promote to access the asset (A\$0.6 million). The best-case estimate has assumed a potential buyer would offer a 1.75:1 promote to access the asset (A\$0.4 million).

Jade has a 66% working interest in the joint venture applying for the prospecting agreement areas.

RISC estimates a fair market value range for the BN-TK project net to Jade of between zero and A\$0.4 million with a best estimate value of the opportunity of A\$0.3 million, (Table 7-1).

Table 7-2: Valuation of the BN-TK opportunity, A\$ million

Opportunity	Valuation Range (A\$ Million)		
	Low	Best	High
BN-TK (Gross)	0.0	0.4	0.6
Jade working interest	66%		
BN-TK (net to Jade)	0.0	0.3	0.4
Valuation rationale	Opportunity doesn't materialise into an asset	Future work program commitments and a buyer offering a 1.75:1 promote on the asset	Future work program commitments and a buyer offering a 2:1 promote on the asset

7.3. Jade valuation

RISC estimates a total value of the Jade asset/opportunity at between A\$0.9 million and A\$5.2 million with a best-case estimate of A\$3.5 million, (Table 7-3).

Table 7-3: Valuation of the Jade coal seam gas asset/opportunity, A\$ million, net to Jade

Asset / Opportunity	Valuation Range (A\$ Million)		
	Low	Best	High
Tavan Tolgoi	0.9	3.2	4.8
BN-TK	0.0	0.3	0.4
Total (arithmetic)	0.9	3.5	5.2

Our assessment of the value of the Jade asset/opportunity is provided to BDO in connection with their Independent Expert's Report to the shareholders of HGM in relation to a potential acquisition of Jade by HGM.

The valuation range provided in Table 7-3 is our independent assessment of the current fair market value of the Jade asset/opportunity. The range represents our estimate of the value that the Jade asset/opportunity

would change hands for as of the date of this report in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion.

8. Declarations

8.1. Qualifications

RISC is an independent oil and gas advisory firm. The RISC staff engaged in this assignment include qualified petroleum reserves and resources evaluators as specified in ASX listing rules, engineers, geoscientists and commercial analysts, each with many years of relevant experience and most have in excess of 20 years.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth and Brisbane, Jakarta and London. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/Portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

The preparation of this report has been undertaken by **Mr Ian Cockerill**, Head of Geoscience. Ian is a Petroleum Geologist with 20 years of experience and a successful record of value creation through oil and gas discoveries, new venture development, and asset / corporate promotion. Ian has a background in geological and geophysical interpretation with experience in conventional and unconventional exploration and development projects in a wide range of geological settings. He has worked in technical positions for Hunt Oil and Apache Energy and in executive positions for Transerv Energy, Verona Energy and TSV Montney. Ian is a member of the Petroleum Exploration Society of Australia (PESA), American Association of Petroleum Geologists (AAPG), Petroleum Exploration Society of Great Britain (PESGB), South East Asia Petroleum Exploration Society (SEAPEX) and the Canadian Society of Petroleum Geologists (CSPG). Ian has an MSc. in Basin Evolution and Dynamics from Royal Holloway College, University of London, UK (1999) and a BSc. Geological Sciences with 1st Class (Honours) from the University of Leeds, UK (1996). Ian is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules and is a full-time employee of RISC. Ian has recently completed hydrocarbon asset valuations which are available in the public domain for XCD Energy (88 Energy), Petrel Energy (Warrego Energy), Ophir Energy (Medco), UIL Energy (Strike Energy) and AWE Energy (Mitsui).

8.2. ASIC Regulatory Guides and VALMIN

This Report has been prepared by RISC in accordance with the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112 and the VALMIN Code 2015.

8.3. Petroleum Resources Management System

In the preparation of this Report, RISC has applied the guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2018 (PRMS).

8.4. Report to be presented in its entirety

BDO will rely on, and their Independent Expert's Report will refer to, the RISC valuation opinion, and RISC has been advised by BDO that this report will be appended to BDO's Independent Expert's Report in its entirety.

8.5. Independence

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001. RISC makes the following disclosures:

- RISC is independent with respect to Jade and HGM and confirms that there is no conflict of interest with any party involved in the assignment;
- Under the terms of engagement between RISC and BDO for the provision of this report, RISC received a fixed fee of A\$35k from HGM. No part of the fee was contingent on the conclusions reached, or the content or future use of this report. Except for this fee, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;
- Neither RISC nor any of its personnel involved in the preparation of this report have any material interest in Jade, HGM, or in any of the properties described herein;
- RISC has not provided advice to Jade or HGM specifically in relation to the Proposed Transaction.

8.6. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from Jade as well as information in the public domain.

The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and senior Jade staff. HGM have provided in writing to RISC that they have disclosed all material information to us relating to the Jade proposed acquisition.

RISC, as the Specialist, accepts responsibility for assessing the technical data and information provided, interpretations, discussions and conclusions, forecasts and parameters used in the technical assessment and valuation. RISC also accepts responsibility for the valuation approach, the valuation methods and valuation conclusions.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which

cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

This report was substantially completed by 2 December 2019. We are not aware of any changes since that date that would have a material impact on the values and opinions contained within this report.

8.7. Consent

RISC has consented to this report, in the form and context in which it appears, being included in the independent expert report. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

This Report is authorised for release by Ian Cockerill dated 14 September 2020.

A handwritten signature in blue ink, appearing to read "Ian Cockerill", with a stylized, flowing script.

Ian Cockerill

Head of Geoscience

9. List of terms

9.1. Abbreviations

The following table lists abbreviations commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
3P	The sum of Proved, Probable and Possible reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for expenditure
bbl	US barrel
bbl/d	US barrels per day
Bscf	Billion (10 ⁹) cubic feet
Bcm	Billion (10 ⁹) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British thermal units
BOEPD	US barrels of oil equivalent per day
BWPD	Barrels of water per day
°C	Degrees Celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate gas ratio
CO ₂	Carbon dioxide
cP	Centipoise
CPI	Consumer price index
DEG	Degrees
DHI	Direct hydrocarbon indicator
DST	Drill stem test
E&P	Exploration and production
EMV	Expected monetary value
EOR	Enhanced oil recovery
ESMA	European Securities and Markets Authority
ESP	Electric submersible pump

Term	Definition
EUR	Estimated ultimate recovery
F	Degrees Fahrenheit
FDP	Field development plan
FEED	Front end engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating production, storage and offtake unit
FWL	Free water level
FVF	Formation volume factor
GIIP	Gas initially in place
GJ	Gigajoules (10^9 J)
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas to liquid(s)
GWc	Gas water contact
H ₂ S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal rate of return
JV(P)	Joint venture (parties)
Kh	Horizontal permeability
km ²	Square kilometres
K _{rw}	Relative permeability to water
K _v	Vertical permeability
kPa	Kilopascals (thousand Pascal)
Mstb/d	Thousand stock tank barrels per day
LIBOR	London inter-bank offered rate
LNG	Liquefied natural gas
LTBR	Long-term bond rate
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies
MJ	Megajoules (10^6 J)
MMbbl	Million US barrels
MMscf(/d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the day (nominal dollars)
MOU	Memorandum of understanding
MMcfe	Millions of Cubic Feet Equivalent
Mscf	Thousand standard cubic feet

Term	Definition
Mstb	Thousand US stock tank barrels
MPa	Megapascal (10^6 Pa)
mss	Metres subsea
MSV	Mean success volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net present value
NTG	Net to gross
ODT	Oil down to
OGIP	Original gas in place
OOIP	Original oil in place
Opex	Operating expenditure
OWC	Oil-water contact
P & A	Plug and Abandon (abandonment of wells)
PBU	Pressure builded-up
PJ	Petajoules (10^{15} J)
POS	Probability of success
PRMS	Petroleum Resources Management System
PSC	Production sharing contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit
PVT	Pressure, volume and temperature
QA/QC	Quality assurance/ control
rb/stb	Reservoir barrels per stock tank barrel (at standard conditions)
RFT	Repeat formation tester
RT	Rotary table or real terms, depending on context
SC	Service contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
s.u.	Fluid saturation unit
stb	Stock tank barrels
STOIIP	Stock tank oil initially In place
Sw	Water saturation
TCM	Technical committee meeting
Tscf	Trillion (10^{12}) cubic feet
TJ	Terajoules (10^{12} J)
TLP	Tension leg platform

Term	Definition
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US\$	United States dollar
US\$ million	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well head flowing pressure
WPC	World Petroleum Council
WTI	West Texas Intermediate

9.2. Definitions

The following table lists some definitions for terms commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
Expectation	The mean of a probability distribution.
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively if probabilistic techniques are used.
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.
Proved Reserves	As defined in the PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods

Term	Definition
	are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
Working interest	A company’s equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.



**APPENDIX 5 - JADE'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020, AND REVIEWED CONSOLIDATED FINANCIAL
STATEMENTS AS AT 30 JUNE 2020**

Jade Gas Pty Ltd and its controlled entities

ABN 46 631 515 225

Special Purpose Financial Report

31 December 2020



Jade Gas Pty Ltd
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31 December 2020

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General information

The financial statements cover both Jade Gas Pty Ltd as an individual entity and the consolidated entity consisting of Jade Gas Pty Ltd and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Jade Gas Pty Ltd's functional and presentation currency.

Principal Activities

The principal activity of the Group during the financial period was activities focused on the exploration and development of coal seam gas opportunities in Mongolia.

Jade Gas Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

225 Fullarton Road
 Eastwood SA 5063

Principal place of business

225 Fullarton Road
 Eastwood SA 5063

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19th April 2021. The directors have the power to amend and reissue the financial statements.

Jade Gas Pty Ltd
Statement of profit or loss and other comprehensive income
For the period 1 July 2020 to 31 December 2020

	Consolidated
Note	31 December 2020
	\$
Other income	
Interest Income	1,095
Other Income	<u>4,804</u>
Total other income	5,899
Expenses	
General and administration expense	(49,065)
Salaries and wages expense	(238,206)
Depreciation and amortization expense	(36,557)
Interest expense	(2,925)
Gain/(Loss) on disposal of property, plant & equipment	(781)
Profit/(loss) before income tax expense	(321,634)
Income tax expense	<u>54</u>
Profit/(loss) after income tax expense for the year	(321,579)
Other comprehensive income	
<i>Items that may be reclassified subsequently to profit or loss</i>	
Foreign exchange on the translation of subsidiaries	<u>(317,002)</u>
Total other comprehensive income, net of tax	<u>(317,002)</u>
Total comprehensive income/(loss) for the year	<u>(638,581)</u>
Profit for the year is attributable to:	
Non-controlling interest	(146)
Owners of Jade Gas Pty Ltd	<u>(321,434)</u>
	<u>(321,579)</u>
Total comprehensive income for the year is attributable to:	
Non-controlling interest	(146)
Owners of Jade Gas Pty Ltd	<u>(638,435)</u>
	(638,581)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Jade Gas Pty Ltd
Statement of financial position
As at 31 December 2020

		Consolidated
	Note	31 December 2020
		\$
Assets		
Current assets		
Cash and cash equivalents	3	162,140
Trade and other receivables	4	424
Inventories	5	198
Prepayments	6	7,018
Total current assets		<u>169,780</u>
Non-current assets		
Property, plant and equipment	7	357,268
Right-of-use asset	8	19,833
Exploration and evaluation assets	9	1,611,976
Intangibles	10	1,140
Deferred tax assets	11	-
Total non-current assets		<u>1,990,217</u>
Total assets		<u>2,159,997</u>
Liabilities		
Current liabilities		
Trade and other payables	12	162,655
Lease liabilities	13	19,144
Borrowings	14	70,000
Total current liabilities		<u>251,798</u>
Non-current liabilities		
Total non-current liabilities		<u>-</u>
Total liabilities		<u>251,798</u>
Net assets		<u>1,908,199</u>
Equity		
Share capital	16	822,558
Unissued Share Capital	16	2,610,000
Convertible note	17	820,000
Foreign Exchange Reserve	18	(260,735)
Other Reserve	18	(571,202)
Retained profits	19	(1,559,224)
Equity attributable to the owners of Jade Gas Pty Ltd		<u>1,861,397</u>
Non-controlling interest	21	<u>46,802</u>
Total equity		<u>1,908,199</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Jade Gas Pty Ltd
Statement of changes in equity
For the period 1 July 2020 to 31 December 2020

	Share Capital	Unissued Capital	Convertible Note	Retained Profits/ (Losses)	Other Reserve	Foreign Exchange Reserves	Non- controlling interest	Total Equity
	\$	\$	\$	\$			\$	\$
Balance 1 July 2020	822,508	2,610,000	416,000	(1,237,790)	(571,202)	56,267	46,948	2,142,731
Profit after income tax expense for the year	-		-	(321,434)		-	(146)	(321,5780)
Other comprehensive income for the year, net of tax	-		-			(317,002)	-	(317,002)
Total comprehensive income for the year	-		-	(321,434)		(317,002)	(146)	(638,582)
<i>Transactions with owners in their capacity as owners:</i>								
Contributions of equity, net of transaction costs (note 15)	50		-	-		-		50
Convertible note issued (note17)	-		404,000	-		-		404,000
Contributions of equity in subsidiaries	-		-	-		-	-	-
Balance at 31 December 2020	822,558	2,610,000	820,000	(1,559,224)	(571,202)	(260,735)	46,002	1,908,199

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Jade Gas Pty Ltd
Statement of cash flows
For the period 1 July 2020 to 31 December 2020

		Consolidated
	Note	31 December 2020
		\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		
Payments to suppliers and employees (inclusive of GST)		<u>(309,505)</u>
		(309,505)
Income taxes paid		<u>-</u>
Net cash from operating activities	15	<u>(309,505)</u>
Cash flows from investing activities		
Payments for property, plant and equipment		(12,118)
Payments for Exploration and evaluation assets		(200,852)
Payments for intangible assets		(720)
Proceeds from disposal of plant and equipment		-
Income from Interest		<u>1,035</u>
Net cash used in investing activities		<u>(212,655)</u>
Cash flows from financing activities		
Proceeds from issue of shares		50
Proceeds from issue of convertible note		404,000
Proceeds from borrowings		70,000
Proceeds from issue of shares in subsidiaries		-
Payment of Borrowings		(300,000)
Payments for Leases		<u>(22,584)</u>
Net cash from/(used in) financing activities		<u>151,466</u>
Net increase/(decrease) in cash and cash equivalents		(370,694)
Cash and cash equivalents at the beginning of the period		564,759
Effects of exchange rate changes on cash and cash equivalents		<u>(31,925)</u>
Cash and cash equivalents at the end of the financial year	3	<u><u>162,140</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1 A. Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business. The Group has incurred a loss after tax of \$321,579.

In addition to the above, the World Health Organisation announced that the Coronavirus (COVID-19) had become a pandemic on 11 March 2020. The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The full impact of COVID-19 and timing of easing of restrictions continues to evolve. At the date of this report, it is uncertain what the effect will be on the group and potentially it will have a post balance date impact;

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on securing additional funding through debt or equity to continue to fund its operational and exploration activities in the long term. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors believe that there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities;
- The Group has the ability to reduce its expenditure to conserve cash;
- In the unlikely event that the Group's near-term planned exploration activities be delayed due to Covid-19, the Board expects that its minimum expenditure commitments for the 2020 calendar year will be reduced;
- The Directors are continuing to explore alternative options in an effort to mitigate the possible impact of COVID-19; and
- The Board does not believe the pandemic will have any impact on the Group's ability to continue as a going concern.

Should the Group not be able to achieve any of the above, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Note 1 B. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Incorporation

The company was incorporated on 7th February 2019. The financial statements set out below have been prepared for the period 1 July 2020 to 31 December 2020.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Basis of preparation

In the directors' opinion, the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the information needs of the directors. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of the company.

These financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') except in relation to the requirement to disclosure comparative financial information in AASB 101 'Presentation of Financial Statements'. The consolidated entity did not prepare audited financial statements at 30 June 2020 or for the 6 months ended 31 December 2019 and so audited comparative financial information is not available.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Jade Gas Pty Ltd ('company' or 'parent entity') as at 31 December 2020 and the results of all subsidiaries for the period then ended. Jade Gas Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Foreign currency translation

The financial statements are presented in Australian dollars, which is Jade Gas Pty Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one period of abandoning the site.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Financial Instruments

Classification and measurement

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Convertible note

The component of the convertible notes that exhibits characteristics of equity is recognised as equity in the statement of financial position, net of transaction costs.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Changes in accounting policies and disclosure

In the period ended 31 December 2020, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. No new or amended Australian Accounting Standards and Interpretations that are issued, but not yet effective, have been early adopted. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

The following Accounting Standards are most relevant to the consolidated group:

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognize right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

Subsequent to initial recognition:

- (a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - i. Investment property, the lessee applies the fair model in AASB 140 *Investment Property* to the right-of-use asset; or
 - ii. Property, plant or equipment, applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all the right-of-use assets that relate to that class or property, plant and equipment; and
- (b) Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases for finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

The consolidated group recognises right-of-use assets totaling \$50,270 representing its right to use the underlying asset and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

In calculating the present value of lease payments, the consolidated group uses the incremental borrowing rate of 3.72%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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Notes to the financial statements
31 December 2020

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Exploration and Evaluation Expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in Note 1

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Jade Gas Pty Ltd
Notes to the financial statements
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Note 3. Current assets – Cash and cash equivalents

	Consolidated
	31 December 2020
	\$
Cash on hand	1,869
Cash in bank	<u>160,271</u>
	<u><u>162,140</u></u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>162,140</u>
Balance as per statement of cash flows	<u><u>162,140</u></u>

Note 4. Current assets – Trade and other receivables

	Consolidated
	31 December 2020
	\$
Trade and other receivables	<u>424</u>
	<u><u>424</u></u>

As all amounts are short-term, the net carrying value is considered to be a reasonable approximation of fair value

Note 5. Current assets – Inventories

	Consolidated
	31 December 2020
	\$
Raw Materials	<u>198</u>
	<u><u>198</u></u>

Jade Gas Pty Ltd
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Note 6. Current assets – Prepayments

	Consolidated
	31 December 2020
	\$
Prepaid Rent	7,018
	<u>7,018</u>

Note 7. Non-current assets – Property, plant and equipment

	Consolidated
	31 December 2020
	\$
Plant and equipment – at cost	417,052
Less: Accumulated depreciation	<u>(59,784)</u>
	<u>357,268</u>
	<u><u>357,268</u></u>

Reconciliations

Reconciliation of the written down values at the beginning and end of the period are set out below:

	Consolidated
	31 December 2020
	\$
Balance at beginning of period	436,765
Foreign exchange	(55,057)
Additions/(Disposals)	12,118
Depreciation Expense	<u>(36,558)</u>
Balance at end of period	<u>357,268</u>

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 8. Non-current assets – Right-of-use asset

	Consolidated
	31 December 2020
	\$
Right-of-use assets	95,158
Less: Accumulated Amortisation	<u>(75,324)</u>
	<u>19,833</u>
	<u><u>19,833</u></u>

Reconciliations

Reconciliation of the written down values at the beginning and end of the period are set out below:

	Consolidated
	31 December 2020
	\$
Balance at beginning of period	50,270
Foreign exchange	(6,337)
Additions	-
Amortisation Expense	<u>(24,100)</u>
Balance at end of period	<u><u>19,833</u></u>

Jade Gas Pty Ltd
Notes to the financial statements
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Note 9. Exploration and evaluation assets

	Consolidated
	31 December 2020
	\$
Exploration and evaluation assets	<u>1,611,976</u>
	<u><u>1,611,976</u></u>

Reconciliations

Reconciliation of the written down values at the beginning and end of the period are set out below:

	Consolidated
	31 December 2020
	\$
Balance at beginning of period	1,614,665
Foreign Exchange	(203,541)
Exploration and evaluation expenditure incurred	<u>200,852</u>
Balance 31 December 2020	<u><u>1,611,976</u></u>

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Note 10. Non-current assets – Intangibles

	Consolidated
	31 December 2020
	\$
Intangibles	2,628
Less accumulated amortisation	<u>(1,487)</u>
	<u><u>1,140</u></u>

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 12. Current Liabilities – Trade and other payables

Consolidated
31 December 2020
\$

Trade and other payables	<u>162,655</u>
	<u><u>162,655</u></u>

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Trade and other payables are non-interest bearing and have normal trade terms of 30 days or less.

Note 13. Current liabilities – Lease Liabilities

	Consolidated
	31 December 2020
	\$
Lease Liabilities	19,144
	<u>19,144</u>

Note 14. Current liabilities – Borrowings

	Consolidated
	31 December 2020
	\$
Loans Payable	70,000
Shareholder Loans	<u>-</u>
	<u>70,000</u>

A short term loan of \$50,000 was advanced during October 2020. An additional \$25,000 was advanced in December 2020. The loan is repayable in full 15 October 2022. Interest is payable on this loan at 6% per annum, payable in arrears on the repayment date.

Note 15. Contingent Liabilities

The Directors are not aware of any contingent liabilities as at the date of the financial statements

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 15: Cash Flow Information

**31 December
2020**

\$

a. Reconciliation of cash

Cash at end of financial period as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	<u>162,140</u>

31 December 2020

\$

b. Reconciliation with operating loss

Operating loss after income tax	(321,579)

Non-cash flows included in loss:

- Depreciation	36,557

Changes in assets and liabilities:

- (Increase)/Decrease in receivables	60,742

- (Increase)/Decrease in prepayments	1,012

- (Increase)/Decrease in inventories	1,792

- (Increase)/Decrease in Deferred tax assets	919

- Increase/(Decrease) in creditors and accruals	(88,948)

-

Net cash used in operating activities	<u>(309,505)</u>

c. Non-cash operating activities

During the financial period ended 31 December 2020 there are no non-cash operating activities.

d. Non-cash financing activities

During the financial period ended 31 December 2020, there are non-cash financing activities, refer to note 21 Non-controlling interest.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 16. Equity - Share capital

	Consolidated	
	31 December 2020	
	Shares	\$
Ordinary shares - fully paid	176,250,000	822,558
	<u>176,250,000</u>	<u>822,558</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Details of shares reserved for issue under an agreement for the company to acquire the non-controlling interest in Jade Methane FILLC are set out in Note 20.

	Consolidated		
	31 December 2020		
Ordinary shares	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	77,750,000	812,748
Share Issue	05-Aug-20	1,000,000	100
Cancel B Class and Issue Ordinary	05-Aug-20	48,750,000	4,875
Cancel C Class and Issue Ordinary	05-Aug-20	48,750,000	4,875
At the end of the reporting period	31-Dec-20	<u>176,250,000</u>	<u>822,558</u>

	Consolidated		
	31 December 2020		
Class B shares	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	48,750,000	4,875
Cancel B Class and Issue Ordinary	5-Aug-20	(48,750,000)	(4,875)
At the end of the reporting period	31-Dec-20	<u>-</u>	<u>-</u>

	Consolidated		
	31 December 2020		
Class C shares	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	48,750,000	4,875
Cancel C Class and Issue Ordinary	5-Aug-20	(48,750,000)	(4,875)
At the end of the reporting period	31-Dec-20	<u>-</u>	<u>-</u>

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Note 17. Equity – Convertible note

	Consolidated
	31 December 2020
	\$
Convertible Note	<u><u>820,000</u></u>

		Consolidated
		31 December 2020
Class B shares		
	Date	Number
		\$
At the beginning of the reporting period	1-Jul-20	416,000
Note Issue	1-Jul-20	404,000
At the end of the reporting period	31-Dec-20	<u><u>820,000</u></u>

Convertible Note Terms

Maturity Date

Twelve (12) months from the date of the agreement with the noteholder.

Extension of Maturity Date

If the Maturity Date for the conversion of the Note Amount is twelve (12) months after the date of this Agreement, the Maturity Date may be extended by six (6) months at the election of the Noteholder.

Interest

No interest is payable on the Note Amount.

Conversion by the Noteholder

The Convertible Note will automatically convert into shares on the Maturity Date without the need for either party to provide a notice to the other.

Should a Change of Control Event occur prior to the Maturity Date, the noteholder may elect to convert the convertible note amount into shares.

The conversion to Shares either by automatic conversion or in the case of a Change of Control Event will be taken as full satisfaction of the convertible note amount upon the shares being issued.

If a Change of Control Event occurs and an election is made the noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{\text{Conversion Price}}$$

Where:

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31 December 2020

N = the number of Shares to be issued.
 L = The Note Amount; and

Conversion Price = The lower of:

- (i) 80% of the IPO or RTO Price; and
- (ii) 80% of the Change of Control Price

If the Maturity Date for the conversion of the Note Amount is:

(i) the Business Day immediately prior to the IPO or RTO, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{IPOP}$$

Where:

N = the number of Shares to be issued;
 L = The Note Amount; and
 IPOP = 80% of the IPO or RTO Price

(ii) twelve (12) months after the date of this Agreement, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{X}$$

Where:

N = the number of Shares to be issued;
 L = the Note Amount; and
 X = 80% of the last proposed and documented IPO or RTO Price.

(iii) if extended eighteen (18) months after the date of this Agreement, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{X}$$

Where:

N = the number of Shares to be issued;
 L = the Note Amount; and
 X = 60% of the last proposed and documented IPO or RTO Price or the last completed financing.

Change of Control Event means:

(a) if JADE comes under the Control of a person (acting alone or together with its Associates) who did not Control JADE on the date which JADE became party to this Agreement; or

(b) if a person (acting alone or together with its Associates) who was in Control of JADE on the date JADE became party to this Agreement stops having Control of JADE.

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Ranking of Shares

Each Conversion Share shall rank equally in all respects with all other Shares at the date of the conversion.

No distributions before conversion

The Noteholder is not entitled to receive any dividend (in cash or in specie), return of capital or other distribution or benefit to which the holder of Shares would be entitled to participate before the conversion of the Note Amount into Shares.

Note 18. Equity - Reserves

	Consolidated
	31 December 2020
	\$
Foreign exchange reserve on the conversion of subsidiary Undertakings	(260,735)
Other reserve for compensation of former non-controlling interest	(571,202)
	<u>(831,937)</u>

Note 19. Equity - Retained profits

	Consolidated
	31 December 2020
	\$
Retained profits at the beginning of the financial year	
Adjustment for change in accounting policy (note 1)	(1,237,790)
Retained profits at the beginning of the financial year – restated	
Profit after income tax expense for the year	(321,434)
	-
Dividends Paid	
Retained profits at the end of the financial year	(1,559,224)

Note 20: Controlled Entities

Controlled entities consolidated	Country of incorporation	Principal Activity	Percentage owned (%) 31 December 2020
Subsidiaries of Jade Gas Pty Ltd			
Direct			
Jade Methane FILLC ⁽¹⁾	Mongolia	Coal seam gas exploration	100
Methane Gas Resources LLC ⁽²⁾	Mongolia	Coal seam gas exploration	60
Jade Gas Mongolia LLC ⁽³⁾	Mongolia	Coal seam gas exploration	100
Baruun Naran Gas LLC ⁽⁴⁾	Mongolia	Coal seam gas exploration	66

(1) On 14th May 2019 Jade Methane FILLC (JM) was incorporated and Jade Gas Pty Ltd acquired an 85% interest in it. On 14th May 2020 Jade Gas acquired the remaining 15% from UB Methane LLC, a Mongolian corporation. The consideration for this was the obligation to issue 5,250,000 ordinary shares, 8,250,000 Class B shares and 8,250,000 Class C Performance Shares in Jade Gas Pty Ltd pursuant to a Share Sale Agreement dated 30 September 2019. That agreement was conditional upon the proposed ASX reverse takeover transaction and necessary consents and approvals, and the directors expect that although Jade Gas Pty Ltd has now acquired the 15% interest in JM, it will revert to UB Methane LLC if these conditions are not met.

- (2) Methane Gas Resources LLC is a 60% subsidiary of JM. It was incorporated on 21st May 2019 and acquired by Jade Gas Pty Ltd on 21st May 2019 as part of the JM acquisition.
- (3) Jade Gas Mongolia FILLC (JGM) is a 100% subsidiary of Jade Gas Pty Ltd. It was incorporated on 14th May 2019 and acquired by Jade Gas Pty Ltd on 14th May 2019.
- (4) Baruun Naran Gas is a 66% subsidiary of JGM. It was incorporated on 27th September 2019 and acquired by Jade Gas Pty Ltd on 27th September 2019 as part of the JGM acquisition.

Jade Gas Pty Ltd via its subsidiary Jade Methane FILLC, owns 60% of Methane Gas Resource LLC (MGR). MGR holds a Production Sharing Agreement providing the rights to explore for and exploit coal seam gas from the area surrounding and including the Tavan Tolgoi coal field in Mongolia. Jade Gas will fund 100% of the costs to the point of a Detailed Feasibility Study (DFS), after which costs will be shared on a pro rata basis. At the completion of the DFS, each party has an option to increase its equity in MGR subject to certain terms and conditions.

Jade Gas Pty Ltd via its subsidiary Jade Gas Mongolia FILLC, owns 66% of Baruun Naraan Gas LLC (BNG). BNG is a joint venture with Khangad Exploration LLC, a wholly owned subsidiary of Mongolia Mining Corporation (MMC). The joint venture was established to explore for coal seam gas within coal mining licences held by MMC in the South Gobi region of Mongolia. Under the joint venture agreements, Jade will fund 100% of the costs of exploration to the point of a Detailed Feasibility Study, after which costs will be shared on a pro rata basis.

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Notes to the financial statements
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Note 21. Equity - non-controlling interest

	Consolidated
	31 December 2020
	\$
Issued capital	48,944
Retained Profits	<u>(2,142)</u>
	<u><u>46,802</u></u>

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Note 22: Related Party Transactions

Transactions between Jade Gas Pty Ltd and other entities in the group during the period consisted of:

Loans advanced by Jade Gas Pty Ltd to Jade Gas Mongolia LLC \$66,819

Loans repaid by Jade Methane LLC to Jade Gas Pty Ltd \$67,177

Loans provided by the Company to entities are made on an interest free basis and are repayable on demand.

All inter-entity transactions and balances are eliminated in the consolidated financial statements.

Loans from shareholders

The following Loans advanced from shareholders to Jade Gas Pty Ltd in May 2020 were repaid in July 2020

Anthony Hall	\$100,000
Joseph Burke	\$100,000
Daniel Eddington	\$100,000

Total **\$300,000**

There are no loans outstanding from or to shareholders at balance date.

Directors remuneration

Consulting Fees paid to Joseph Patrick Burke for the period 1st July 2020 to 31st December 2020 totaled \$22,500. In addition reimbursement of expenditure totaling \$1,313 was paid.

Advisory Fees paid to Corporate Advisory Pty Ltd an entity controlled by Daniel William Eddington for the period 1st July 2020 to 31st December 2020 totaled \$5,500 including GST

Directors fees paid to Daniel William Eddington for the period 1st July 2020 to 31st December 2020 totaled \$9,132. In addition statutory superannuation guarantee totaling \$868 was paid.

Directors shareholdings

The following shares were issued to directors and their associates

Jospeh Patrick Burke

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	4,000	-
At the end of the reporting period	31 Dec-20	4,000	-

Class B shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	48,750,000	4,875
Cancel B Class and Issue Ordinary	5-Aug-20	(48,750,000)	(4,875)
At the end of the reporting period	31 Dec-20	-	-

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Class C shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	48,750,000	4,875
Cancel B Class and Issue Ordinary	5-Aug-20	(48,750,000)	(4,875)
At the end of the reporting period	31-Dec-20	-	-

GM Ventures & Investments Limited - An entity associated with Joseph Patrick Burke

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	29,600,000	2,960
Share Issue	05-Aug-20	10,210,000	1,021
Cancel B Class and Issue Ordinary	05-Aug-20	21,875,000	2,188
Cancel C Class and Issue Ordinary	05-Aug-20	21,875,000	2,188
At the end of the reporting period	31-Dec-20	83,560,000	8,356

Class B shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019	1-Jul-20	21,875,000	2,188
Cancel B Class and Issue Ordinary	05-Aug-20	(21,875,000)	(2,188)
At the end of the reporting period	31-Dec-20	-	-

Class C shares

	Date	Number	\$
At the beginning of the reporting period 17/2	1-Jul-20	21,875,000	2,188
Cancel B Class and Issue Ordinary	05-Aug-20	(21,875,000)	(2,188)
At the end of the reporting period	31-Dec-20	-	-

Scor go Luath Limited - An entity associated with Joseph Patrick Burke

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	7,810,334	781
Share Issue	05-Aug-20	12,273,332	1,227
At the end of the reporting period	31-Dec-20	20,083,666	2,008

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Class B shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	7,291,666	729
Cancel B Class and Issue Ordinary		(7,291,666)	(729)
At the end of the reporting period	31 Dec-20	-	-

Class C shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	7,291,666	729
Cancel B Class and Issue Ordinary	5-Aug-20	(7,291,666)	(729)
At the end of the reporting period	31-Dec-20	-	-

Daniel William Eddington & Julie Eddington

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-2020	4,608,333	461
Share Issue	05-Aug-20	7,273,334	727
At the end of the reporting period	31-Dec-20	11,881,667	1,188

Class B shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-2020	4,791,667	479
Cancel B Class and Issue Ordinary	5-Aug-20	(4,791,667)	(479)
At the end of the reporting period	31-Dec-20	-	-

Class C shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	4,791,667	479
Cancel B Class and Issue Ordinary	05-Aug-20	(4,791,667)	(479)
At the end of the reporting period	31-Dec-20	-	-

Dacama Pty Ltd - An entity associated with Daniel William Eddington

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Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	1,700,000	170
Cancel B Class and Issue Ordinary	05-Aug-20	1,500,000	150
Cancel C Class and Issue Ordinary	05-Aug-20	1,500,000	150
At the end of the reporting period	31-Dec-20	<u>4,700,000</u>	<u>470</u>

Class B shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	1,500,000	150
Cancel B Class and Issue Ordinary	05-Aug-20	(1,500,000)	(150)
At the end of the reporting period	31-Dec-20	<u>-</u>	<u>-</u>

Class C shares

	Date	Number	\$
At the beginning of the reporting period	1-Jul-20	1,500,000	150
Cancel B Class and Issue Ordinary	05-Aug-20	(1,500,000)	(150)
At the end of the reporting period	31-Dec-20	<u>-</u>	<u>-</u>

Convertible Notes

The directors did not participate in the convertible note issue.

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Notes to the financial statements
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Note 23: Financial Risk Management

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company and the Group through regular reviews of the risks.

The totals for each category of financial instruments, measured in accordance with AASB 9, as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated
		31 December 2020
		\$
Categories of financial instruments	Note	
Financial assets		
Cash and cash equivalents	3	162,140
Trade and other receivables	4	424
		<u>162,564</u>
Financial liabilities		
Trade and other payables	12	162,655
Lease liabilities	13	19,144
Borrowings	14	70,000
		<u>251,799</u>

a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The principal financial instruments from which financial instrument risk arises:

- trade and other receivables
- cash at bank
- trade and other payables
- borrowings

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Group's finance function.

The Group's risk management policies and objectives are therefore designed to minimise the potential impact of these risks on the results of the Group where such impacts may be material.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

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31 December 2020

b. Credit risks

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of the contract obligations that could lead to a financial loss to the Group. There is no material amount of collateral held as security at 31 December 2020

Cash and cash equivalents

The Group limits its exposure to credit risk by only depositing cash at banks or financial institutions that have an acceptable credit rating.

Trade and other receivables

As the Group operates primarily in investment and exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Group, where necessary, establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at balance date is as follows:

	Note	31 December 2020
		\$
Trade and other receivables	4	424
		<u>424</u>

c. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual flows. The Group does not have any external borrowings.

The Group may need to raise additional capital in the next 12 months if forecast operational activities are competed earlier than anticipated. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Financial liability and financial asset maturity analysis
Consolidated

At 31 December 2020	Within 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Financial liabilities due for payment				
Trade and other payables	162,654	-	-	162,654
Lease liabilities	19,144	-	-	19,144
Borrowings	70,000			70,000
Total expected outflows	251,798	-	-	251,798
Financial assets – cash flows realisable				
Cash and cash equivalents	162,140	-	-	162,140
Trade and other receivables	424	-	-	424
Total anticipated inflows	162,564	-	-	162,564
Net inflow/(outflow) on financial instruments	(89,234)	-	-	(89,234)

d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

i) Foreign exchange risk

At balance date, the following cash, amounts receivable and amounts payable in foreign currency.

Consolidated
31 December 2020

Mongolian MNT

Cash & Cash equivalents

163,728,596

163,728,596

US Dollars

Cash & Cash equivalents

USD

59,716

59,716

ii) Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents on short term deposit at best available market interest rates.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Consolidated
31 December 2020
\$

Variable rate instruments

Financial assets – cash and cash equivalents	162,140

Fair value sensitivity analysis for variable rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior period.

Jade Gas Pty Ltd
Notes to the financial statements
31 December 2020

	Profit or loss	100bp	Equity	100bp
	100bp	100bp	100bp	100bp
	Increase	decrease	increase	decrease
	\$	\$	\$	\$
31 December 2020				
Variable rate instruments	1,621	(1,621)	1,621	(1,621)

e. Fair values

Fair values of financial assets and liabilities are equivalent to carrying values due to their short term to maturity

Note 24. Capital Commitments

The terms of the Production Sharing Contract held by MGR include minimum expenditure requirements over the period of the agreement. The terms of the PSC are commercial in confidence.

Note 25. Events after the reporting period

Subsequent to 31 December 2020 the company completed two further capital placements, issuing 5,000,000 ordinary shares at \$0.12 each, raising a total of \$600,000 in cash. No other matters or circumstances have arisen since 31 December 2020 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Jade Gas Pty Ltd
Directors' declaration
31 December 2020

In the directors' opinion:

- The consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of the information needs of the directors;
- the attached financial statements and notes comply with the Accounting Standards as described in note 1 to the financial statements, and other mandatory professional reporting requirements;
- the attached financial statements and notes present fairly the consolidated entity's financial position as at 31 December 2020 and of its performance for the six month period ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors

DocuSigned by:

0C69E8752AC7458...

Joseph Burke

Director

4/21/2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JADE GAS PTY LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Jade Gas Pty Ltd (the Entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 6 month period then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the 6 month period then ended in accordance with the basis of accounting described in note 1.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 A in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of matter - Basis of accounting

We draw attention to Note 1 B to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Group to meet the requirements of the directors. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the directors and for such internal control as management determines is necessary to enable the



preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that appears to read 'G Edwards'.

G K Edwards
Director

Adelaide, 27 April 2021

Jade Gas Pty Ltd and its controlled entities

ABN 46 631 515 225

General Purpose Financial Report

30 June 2020



Jade Gas Pty Ltd
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30 June 2020

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General information

The financial statements cover both Jade Gas Pty Ltd as an individual entity and the consolidated entity consisting of Jade Gas Pty Ltd and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Jade Gas Pty Ltd's functional and presentation currency.

Principal Activities

The principal activity of the Group during the financial period was activities focused on the exploration and development of coal seam gas opportunities in Mongolia.

Jade Gas Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

225 Fullarton Road
Eastwood SA 5063

Principal place of business

225 Fullarton Road
Eastwood SA 5063

The financial statements were originally authorised for issue, in accordance with a resolution of directors, on 2 December 2020. The directors have exercised the power to amend and reissue the financial statements.

Jade Gas Pty Ltd
Statements of profit or loss and other comprehensive income
For the period 7th February 2019 to 30th June 2020

	Consolidated
Note	2020
	\$
Other income	
Interest Income	9,670
Other Income	<u>2,600</u>
Total other income	12,270
Expenses	
General and administration expense	(1,227,585)
Interest expense	(12,070)
Gain/(Loss) on disposal of property, plant & equipment	(17,312)
Profit/(loss) before income tax expense	(1,244,697)
Income tax expense	<u>(1,492)</u>
Profit/(loss) after income tax expense for the year	(1,246,189)
Other comprehensive income	
<i>Items that may be reclassified subsequently to profit or loss</i>	
Foreign exchange on the translation of subsidiaries	<u>56,267</u>
Total other comprehensive income, net of tax	<u>56,267</u>
Total comprehensive income/(loss) for the year	<u><u>(1,189,922)</u></u>
Profit for the year is attributable to:	
Non-controlling interest	(8,399)
Owners of Jade Gas Pty Ltd	<u>(1,237,790)</u>
	<u><u>(1,246,189)</u></u>
Total comprehensive income for the year is attributable to:	
Non-controlling interest	(8,399)
Owners of Jade Gas Pty Ltd	<u>(1,181,523)</u>
	<u><u>(1,189,922)</u></u>

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Jade Gas Pty Ltd
Statements of financial position
As at 30 June 2020

		Consolidated
	Note	2020
		\$
Assets		
Current assets		
Cash and cash equivalents	3	564,759
Trade and other receivables	4	61,166
Inventories	5	1,990
Prepayments	6	8,030
Total current assets		<u>635,945</u>
Non-current assets		
Property, plant and equipment	7	436,765
Right-of-use asset	8	50,270
Exploration and evaluation assets	9	1,614,665
Intangibles	10	1,041
Deferred tax assets	11	919
Total non-current assets		<u>2,103,660</u>
Total assets		<u>2,739,605</u>
Liabilities		
Current liabilities		
Trade and other payables	12	251,603
Lease liabilities	13	45,271
Borrowings	14	300,000
Total current liabilities		<u>596,874</u>
Non-current liabilities		
Total non-current liabilities		<u>-</u>
Total liabilities		<u>596,874</u>
Net assets		<u><u>2,142,731</u></u>
Equity		
Share capital	16	822,508
Unissued Share Capital	16	2,610,000
Convertible note	17	416,000
Foreign Exchange Reserve	18	56,267
Other Reserves	18	(571,202)
Retained profits	19	(1,237,790)
Equity attributable to the owners of Jade Gas Pty Ltd		<u>2,095,783</u>
Non-controlling interest	21	46,948
Total equity		<u><u>2,142,731</u></u>

The above statements of financial position should be read in conjunction with the accompanying notes

Jade Gas Pty Ltd
Statements of changes in equity
For the period 7th February 2019 to 30th June 2020

	Share Capital	Unissued Share Capital	Convertible Note	Retained Profits/ (Losses)	Exchange Reserves	Other Reserves	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance 7 February 2019								
Profit after income tax expense for the year				(1,237,790)			8,399	(1,246,189)
Other comprehensive income for the year, net of tax					56,267			56,267
Total comprehensive income for the year				(1,237,790)	56,267		8,399	(1,189,922)
<i>Transactions with owners in their capacity as owners:</i>								
Contributions of equity, net of transaction costs (note 15)	822,508							822,508
Convertible note issued (note17)			416,000					416,000
Contributions of equity in subsidiaries							2,094,145	2,094,145
	822,508		416,000	(1,237,790)	56,267		2,085,746	2,142,731
<i>Transactions with non-controlling interest</i>		2,610,000				(571,202)	(2,038,798)	-
Balance at 30 June 2020	822,508	2,610,000	416,000	(1,237,790)	56,267	(571,202)	46,948	2,142,731

The above statements of changes in equity should be read in conjunction with the accompanying notes

Jade Gas Pty Ltd
Statements of cash flows
For the period 7th February 2019 to 30th June 2020

		Consolidated
	Note	2020 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		-
Payments to suppliers and employees (inclusive of GST)		(891,240)
		(891,240)
Income taxes paid		(1,478)
Net cash from operating activities	15	(892,719)
Cash flows from investing activities		
Payments for property, plant and equipment		(544,067)
Payments for Exploration and evaluation assets		(1,614,665)
Payments for intangible assets		(2,183)
Proceeds from disposal of plant and equipment		28,080
Income from Interest		9,043
Net cash used in investing activities		(2,123,792)
Cash flows from financing activities		
Proceeds from issue of shares		822,508
Proceeds from issue of convertible note		416,000
Proceeds from borrowings		300,000
Proceeds from issue of shares in subsidiaries		2,092,149
Payments for Finance Leases		(44,372)
Net cash from/(used in) financing activities		3,586,285
Net increase/(decrease) in cash and cash equivalents		569,774
Cash and cash equivalents at the beginning of the period		0
Effects of exchange rate changes on cash and cash equivalents		(5,015)
Cash and cash equivalents at the end of the financial year	3	564,759

The above statements of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies (continued)

Note 1 A. Reissued Financial Statements

The previously issued financial statements of the Group for the period ended 30 June 2020 dated 2 December 2020 have been withdrawn and are replaced by these financial statements.

The revision was necessary as a result of the identification of a material change in non-controlling interest in the group which occurred prior to 30 June 2020 but was not identified when the financial statements were initially released. For more information refer to Note 20 Controlled Entities. As a result of the correction of this material misstatement, the reissued financial statements have been affected as follows:

Non-controlling interest in the total equity of the group as at 30 June 2020 was previously reported as \$2,085,746. The corrected balance as at 30 June 2020 is \$46,948.

Unissued Share Capital is included in these reissued financial statements with a balance of \$2,610,000, this component of equity was not previously reported.

Other reserves is included in these reissued financial statements with a balance of (\$571,202), this component of equity was not previously reported. This reserve represents the excess of the fair value of Unissued Share Capital committed as consideration for the acquisition of the Non-controlling interest balance of \$2,038,798 acquired on 14 May 2020.

Total equity of the group as at 30 June 2020 remains the same amount as previously reported of \$2,142,731.

Note 1 B. Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business. The Group has incurred a loss after tax of \$1,246,189.

In addition to the above, the World Health Organisation announced that the Coronavirus (COVID-19) had become a pandemic on 11 March 2020. The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The full impact of COVID-19 and timing of easing of restrictions continues to evolve. At the date of this report, it is uncertain what the effect will be on the group and potentially it will have a post balance date impact;

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on securing additional funding through debt or equity to continue to fund its operational and exploration activities in the long term. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors believe that there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities;
- The Group has the ability to reduce its expenditure to conserve cash;
- In the unlikely event that the Group's near-term planned exploration activities be delayed due to Covid-19, the Board expects that its minimum expenditure commitments for the 2020 calendar year will be reduced;
- The Directors are continuing to explore alternative options in an effort to mitigate the possible impact of COVID-19; and
- The Board does not believe the pandemic will have any impact on the Group's ability to continue as a going concern.

Should the Group not be able to achieve any of the above, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Note 1 C. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Note 1. Significant accounting policies (continued)

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Incorporation

The company was incorporated on 7th February 2019. The financial statements set out below have been prepared for the period 7th February 2019 to 30th June 2020.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Jade Gas Pty Ltd ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the period then ended. Jade Gas Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Note 1. Significant accounting policies (continued)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Jade Gas Pty Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 1. Significant accounting policies (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits

Note 1. Significant accounting policies (continued)

Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one period of abandoning the site.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Financial Instruments

Classification and measurement

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Note 1. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Convertible note

The component of the convertible notes that exhibits characteristics of equity is recognised as equity in the statement of financial position, net of transaction costs.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Changes in accounting policies and disclosure

In the period ended 30 June 2020, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. No new or amended Australian Accounting Standards and Interpretations that are issued, but not yet effective, have been early adopted. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

The following Accounting Standards are most relevant to the consolidated group:

Note 1. Significant accounting policies (continued)

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognize right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

Subsequent to initial recognition:

- (a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - i. Investment property, the lessee applies the fair model in AASB 140 *Investment Property* to the right-of-use asset; or
 - ii. Property, plant or equipment, applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all the right-of-use assets that relate to that class or property, plant and equipment; and
- (b) Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases for finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

The consolidated group recognises right-of-use assets totalling \$50,270 representing its right to use the underlying asset and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

In calculating the present value of lease payments, the consolidated group uses the incremental borrowing rate of 3.72%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount or lease liabilities is remeasured if there is a modification, a change in lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Exploration and Evaluation Expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in Note 1

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 3. Current assets – Cash and cash equivalents

	Consolidated
	2020
	\$
Cash on hand	2,623
Cash in bank	562,137
	<u>564,759</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	564,759
Balance as per statement of cash flows	<u>564,759</u>

Note 4. Current assets – Trade and other receivables

	Consolidated
	2020
	\$
Trade and other receivables	61,166
	<u>61,166</u>

As all amounts are short-term, the net carrying value is considered to be a reasonable approximation of fair value

Note 5. Current assets – Inventories

	Consolidated
	2020
	\$
Raw Materials	1,990
	<u>1,990</u>

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

Note 6. Current assets – Prepayments

	Consolidated
	2020
	\$
Prepaid Rent	8,030
	<u>8,030</u>

Note 7. Non-current assets – Property, plant and equipment

	Consolidated
	2020
	\$
Plant and equipment – at cost	476,103
Less: Accumulated depreciation	<u>(39,338)</u>
	<u>436,765</u>
	<u>439,765</u>

Reconciliations

Reconciliation of the written down values at the beginning and end of the period are set out below:

	Plant and equipment
	\$
Consolidated	
Balance at 7 February 2019	-
Additions	476,103
Depreciation Expense	<u>(39,338)</u>
	<u>436,765</u>
Balance 30 June 2020	<u>436,765</u>

Note 8. Non-current assets – Right-of-use asset

	Consolidated
	2020
	\$
Right-of-use assets	108,883
Less: Accumulated Amortisation	<u>(58,614)</u>
	<u>50,270</u>
	<u>50,270</u>

Reconciliations

Reconciliation of the written down values at the beginning and end of the period are set out below:

	Right-of-use asset
	\$
Consolidated	
Balance at 7 February 2019	-
Additions	108,883
Amortisation Expense	<u>(58,614)</u>
	<u>50,270</u>
Balance 30 June 2020	<u>50,270</u>

Note 9. Exploration and evaluation assets

	Consolidated
	2020
	\$
Exploration and evaluation assets	1,634,914
	<u>1,634,914</u>

Reconciliations

Reconciliation of the written down values at the beginning and end of the period are set out below:

	Exploration and evaluation assets
	\$
Consolidated	
Balance at 7 February 2019	-
Exploration and evaluation expenditure incurred	1,634,914
	<u>1,634,914</u>

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Note 10. Non-current assets – Intangibles

	Consolidated
	2020
	\$
Intangibles	2,183
Less Accumulated amortisation	(1,142)
	<u>1,041</u>
	<u>1,041</u>

Note 11. Non-current assets – Deferred tax assets

	Consolidated
	2020
	\$
Deferred tax assets	919
	<u>919</u>

Note 12. Current Liabilities – Trade and other payables

	Consolidated
	2020
	\$
Trade and other payables	251,603
	<u>251,603</u>

Trade and other payables are non-interest bearing and have normal trade terms of 30 days or less.

Note 13. Current liabilities – Lease Liabilities

	Consolidated
	2020
	\$
Lease Liabilities	45,271
	<u>45,271</u>

Note 14. Current liabilities – Borrowings

	Consolidated
	2020
	\$
Shareholder Loans	300,000
	<u>300,000</u>

A short term loan of \$100,000 each was advanced by three shareholders on 21st May 2020. These loans were all repaid in full by 14th July 2020. No interest was payable on these loans.

Note 15. Contingent Liabilities

The Directors are not aware of any contingent liabilities as at the date of the financial statements

Note 15: Cash Flow Information

30 June 2020

\$

a. Reconciliation of cash

Cash at end of financial period as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	<u>564,759</u>

30 June 2020

\$

b. Reconciliation with operating loss

Reconciliation of cash flows from operations with operating loss after income tax is set out as follows:

Operating loss after income tax	(1,191,628)

Non-cash flows included in loss:

- Depreciation	74,140

Changes in assets and liabilities:

- (Increase) in receivables	(61,166)
- (Increase) in prepayments	(8,030)
- (Increase) in inventories	(1,990)
- (Increase) in Deferred tax assets	(919)
- Increase in creditors and accruals	251,603
- Increase in Lease Liabilities	<u>45,271</u>

Net cash used in operating activities	<u>(892,719)</u>

c. Non-cash operating activities

During the financial period ended 30 June 2020 there are no non-cash operating activities.

d. Non-cash financing activities

During the financial period ended 30 June 2020, there are no non-cash financing activities

Note 16. Equity - Share capital

	Consolidated	
	2020 Shares	2020 \$
Ordinary shares - fully paid	77,750,000	812.758
Class B shares – fully paid	48,750,000	4,875
Class C shares – fully paid	48,750,000	4,875
	<u>175,250,000</u>	<u>822,508</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Class B shares

Class B shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid Class B shares have no par value and the company does not have a limited amount of authorised capital

Class C shares

Class C shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid Class C have no par value and the company does not have a limited amount of authorised capital

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Details of shares reserved for issue under an agreement for the company to acquire the non-controlling interest in Jade Methane FILLC are set out in Note 20.

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

Ordinary shares	Consolidated		
	Date	2020 Number	2020 \$
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	17-Feb-19	1,000	1,000
Share Issue	28-May-19	70,749,000	8,075
Share Issue	28-Jun-19	5,000,000	483,683
Share Issue	30-Jan-20	2,000,000	320,000
At the end of the reporting period	30-Jun-20	77,750,000	812,758

Post Balance Date Transactions

Share Issue	05-Aug-20	1,000,000	100
Cancel B Class and Issue Ordinary	05-Aug-20	48,750,000	4,875
Cancel C Class and Issue Ordinary	05-Aug-20	48,750,000	4,875
		176,250,000	822,658

Class B shares	Consolidated		
	Date	2020 Number	2020 \$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875

Post Balance Date Transactions

Cancel B Class and Issue Ordinary		-48,750,000	-4,875
		-	-

Class C shares	Consolidated		
	Date	2020 Number	2020 \$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875

At the end of the reporting period 30/6/2020

Post Balance Date Transactions

Cancel B Class and Issue Ordinary		-48,750,000	-4,875
		-	-

Note 17. Equity – Convertible note

		Consolidated
		2020
		\$
Convertible Note		416,000

Convertible Note Terms

Maturity Date

Twelve (12) months from the date of the agreement with the noteholder.

Extension of Maturity Date

If the Maturity Date for the conversion of the Note Amount is twelve (12) months after the date of this Agreement, the Maturity Date may be extended by six (6) months at the election of the Noteholder.

Interest

No interest is payable on the Note Amount.

Conversion by the Noteholder

The Convertible Note will automatically convert into shares on the Maturity Date without the need for either party to provide a notice to the other.

Should a Change of Control Event occur prior to the Maturity Date, the noteholder may elect to convert the convertible note amount into shares.

The conversion to Shares either by automatic conversion or in the case of a Change of Control Event will be taken as full satisfaction of the convertible note amount upon the shares being issued.

If a Change of Control Event occurs and an election is made the noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{\text{Conversion Price}}$$

Where:

N = the number of Shares to be issued;

L = The Note Amount; and

Conversion Price = The lower of:

- (i) 80% of the IPO or RTO Price; and
- (ii) 80% of the Change of Control Price

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

If the Maturity Date for the conversion of the Note Amount is:

(i) the Business Day immediately prior to the IPO or RTO, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{\text{IPOP}}$$

Where:

N = the number of Shares to be issued;
L = The Note Amount; and
IPOP = 80% of the IPO or RTO Price

(ii) twelve (12) months after the date of this Agreement, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{X}$$

Where:

N = the number of Shares to be issued;
L = the Note Amount; and
X = 80% of the last proposed and documented IPO or RTO Price.

(iii) if extended eighteen (18) months after the date of this Agreement, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{X}$$

Where:

N = the number of Shares to be issued;
L = the Note Amount; and
X = 60% of the last proposed and documented IPO or RTO Price or the last completed financing.

Change of Control Event means:

(a) if JADE comes under the Control of a person (acting alone or together with its Associates) who did not Control JADE on the date which JADE became party to this Agreement; or

(b) if a person (acting alone or together with its Associates) who was in Control of JADE on the date JADE became party to this Agreement stops having Control of JADE.

Ranking of Shares

Each Conversion Share shall rank equally in all respects with all other Shares at the date of the conversion.

No distributions before conversion

The Noteholder is not entitled to receive any dividend (in cash or in specie), return of capital or other distribution or benefit to which the holder of Shares would be entitled to participate before the conversion of the Note Amount into Shares.

Note 18. Equity - Reserves

	Consolidated
	2020
	\$
Foreign exchange reserve on the conversion of subsidiary undertakings	56,267
Other reserve for compensation of former non-controlling interest	(571,202)
	<u>(514,935)</u>

Note 19. Equity - Retained profits

	Consolidated
	2020
	\$
Retained profits at the beginning of the financial year	-
Adjustment for change in accounting policy (note 1)	-
Retained profits at the beginning of the financial year – restated	-
Profit after income tax expense for the year	(1,237,790)
Dividends paid	-
Retained profits at the end of the financial year	<u>(1,237,790)</u>

Note 20: Controlled Entities

Controlled entities consolidated	Country of incorporation	Principal Activity	Percentage owned (%)
Subsidiaries of Jade Gas Pty Ltd			30 June 2020
Direct			
Jade Methane FILLC ⁽¹⁾	Mongolia	Coal seam gas exploration	100
Methane Gas Resources LLC ⁽²⁾	Mongolia	Coal seam gas exploration	60
Jade Gas Mongolia LLC ⁽³⁾	Mongolia	Coal seam gas exploration	100
Baruun Naran Gas LLC ⁽⁴⁾	Mongolia	Coal seam gas exploration	66

(1) On 14th May 2019 Jade Methane FILLC (JM) was incorporated and Jade Gas Pty Ltd acquired an 85% interest in it. On 14th May 2020 Jade Gas acquired the remaining 15% from UB Methane LLC, a Mongolian corporation. The consideration for this was the obligation to issue 5,250,000 ordinary shares, 8,250,000 Class B shares and 8,250,000 Class C Performance Shares in Jade Gas Pty Ltd pursuant to a Share Sale Agreement dated 30 September 2019. That agreement was conditional upon the proposed ASX reverse takeover transaction and necessary consents and approvals, and the directors expect that although Jade Gas Pty Ltd has now acquired the 15% interest in JM, it will revert to UB Methane LLC if these conditions are not met.

(2) Methane Gas Resources LLC is a 60% subsidiary of JM. It was incorporated on 21st May 2019 and acquired by Jade Gas Pty Ltd on 21st May 2019 as part of the JM acquisition.

(3) Jade Gas Mongolia FILLC (JGM) is a 100% subsidiary of Jade Gas Pty Ltd. It was incorporated on 14th May 2019 and acquired by Jade Gas Pty Ltd on 14th May 2019

(4) Baruun Naran Gas is a 66% subsidiary of JGM. It was incorporated on 27th September 2019 and acquired by Jade Gas Pty Ltd on 27th September 2019 as part of the JGM acquisition.

Jade Gas Pty Ltd via its subsidiary Jade Methane FILLC, owns 60% of Methane Gas Resource LLC (MGR). MGR holds a Production Sharing Agreement providing the rights to explore for and exploit coal seam gas from the area surrounding and including the Tavan Tolgoi coal field in Mongolia. Jade Gas will fund 100% of the costs to the point of a Detailed Feasibility Study (DFS), after which costs will be shared on a pro rata basis. At the completion of the DFS, each party has an option to increase its equity in MGR subject to certain terms and conditions.

Jade Gas Pty Ltd via its subsidiary Jade Gas Mongolia FILLC, owns 66% of Baruun Naraan Gas LLC (BNG). BNG is a joint venture with Khangad Exploration LLC, a wholly owned subsidiary of Mongolia Mining Corporation (MMC). The joint venture was established to explore for coal seam gas within coal mining licences held by MMC in the South Gobi region of Mongolia. Under the joint venture agreements, Jade will fund 100% of the costs of exploration to the point of a Detailed Feasibility Study, after which costs will be shared on a pro rata basis.

Note 21. Equity - non-controlling interest

	Consolidated
	2020
	\$
Issued capital	55,347
Retained profits	(8,399)
	46,948

Note 22: Related Party Transactions

Transactions between Jade Gas Pty Ltd and other entities in the group during the period consisted of:

Loans advanced by Jade Gas Pty Ltd to Jade Gas Mongolia LLC \$324,779

Loans advanced by Jade Gas Pty Ltd to Jade Methane LLC \$158,760

Loans provided by the Company to entities are made on an interest free basis and are repayable on demand.

All inter-entity transactions and balances are eliminated in the consolidated financial statements.

Loans from shareholders

The following Loans were advanced from shareholders to Jade Gas Pty Ltd in May 2020. These loans have subsequently been repaid in July 2020

Anthony Hall	\$100,000
Joseph Burke	\$100,000
Daniel Eddington	\$100,000

Total **\$300,000**

Directors remuneration

Consulting Fees paid to Joseph Patrick Burke for the period 7th February 2019 to 30th June 2020 totaled \$165,000. In addition reimbursement of expenditure totaling \$56,847 was paid.

Advisory Fees paid to Corporate Advisory Pty Ltd an entity controlled by Daniel William Eddington for the period 7th February 2019 to 30th June 2020 totaled \$34,100 including GST

Directors fees paid to Daniel William Eddington for the period 7th February 2019 to 30th June 2020 totaled \$50,228. In addition statutory superannuation guarantee totaling \$4,772 was paid.

Directors shareholdings

The following shares were issued to directors and their associates

Jospeh Patrick Burke

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	17-Feb-19	4,000	-
At the end of the reporting period	30-Jun-20	4,000	-
Post Balance Date Transactions		-	-
Balance Held		4,000	-

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

Class B shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875
Post Balance Date Transactions Cancel B Class and Issue Ordinary		-48,750,000	-4,875
Balance Held		-	-

Class C shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875
Post Balance Date Transactions Cancel B Class and Issue Ordinary		-	-
Balance Held		-	-

GM Ventures & Investments Limited - An entity associated with Joseph Patrick Burke

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	28-May-19	29,600,000	2,960
At the end of the reporting period	30-Jun-20	29,600,000	2,960
Post Balance Date Transactions Share Issue	05-Aug-20	10,210,000	1,021
Cancel B Class and Issue Ordinary	05-Aug-20	21,875,000	2,188
Cancel C Class and Issue Ordinary	05-Aug-20	21,875,000	2,188
Balance Held		83,560,000	8,356

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

Class B shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	21,875,000	2,188
At the end of the reporting period 30/6/2020		21,875,000	2,188
Post Balance Date Transactions Cancel B Class and Issue Ordinary	05-Aug-20	-21,875,000	(2,188)
Balance Held		-	-

Class C shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	21,875,000	2,188
At the end of the reporting period 30/6/2020		21,875,000	2,188
At the end of the reporting period 30/6/2020		21,875,000	2,188
Post Balance Date Transactions Cancel B Class and Issue Ordinary	05-Aug-20	-21,875,000	(2,188)
Balance Held		-	-

Scor go Luath Limited - An entity associated with Joseph Patrick Burke

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	28-May-19	7,810,334	781
At the end of the reporting period	30-Jun-20	7,810,334	781
Post Balance Date Transactions Share Issue	05-Aug-20	12,273,332	1,227
Balance Held		20,083,666	2,008

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

Class B shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	7,291,666	729
At the end of the reporting period 30/6/2020		7,291,666	729
Post Balance Date Transactions Cancel B Class and Issue Ordinary		-7,291,666	-729
Balance Held		-	-

Class C shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	7,291,666	729
At the end of the reporting period 30/6/2020		7,291,666	729
At the end of the reporting period 30/6/2020		7,291,666	729
Post Balance Date Transactions Cancel B Class and Issue Ordinary		-7,291,666	-729
Balance Held		-	-

Daniel William Eddington & Julie Eddington

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	28-May-19	4,608,333	461
At the end of the reporting period	30-Jun-20	4,608,333	461
Post Balance Date Transactions			
Share Issue	05-Aug-20	7,273,334	727
Balance Held		11,881,667	1,188

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

Class B shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	4,791,667	479
At the end of the reporting period 30/6/2020		4,791,667	479
Post Balance Date Transactions			
Cancel B Class and Issue Ordinary		-4,791,667	-479
Balance Held		-	-

Class C shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	4,791,667	479
At the end of the reporting period 30/6/2020		4,791,667	479
At the end of the reporting period 30/6/2020		4,791,667	479
Post Balance Date Transactions			
Cancel B Class and Issue Ordinary		-4,791,667	-479
Balance Held		-	-

Dacama Pty Ltd - An entity associated with Daniel William Eddington

Ordinary shares

	Date	Number	\$
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	28-May-19	1,700,000	170
At the end of the reporting period	30-Jun-20	1,700,000	170
Post Balance Date Transactions			
Cancel B Class and Issue Ordinary	05-Aug-20	1,500,000	150
Cancel C Class and Issue Ordinary	05-Aug-20	1,500,000	150
Balance Held		4,700,000	470

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

Class B shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	1,500,000	150
At the end of the reporting period 30/6/2020		1,500,000	150
Post Balance Date Transactions Cancel B Class and Issue Ordinary	05-Aug-20	-1,500,000	-150
Balance Held		-	-

Class C shares

	Date	Number	\$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	1,500,000	150
At the end of the reporting period 30/6/2020		1,500,000	150
Post Balance Date Transactions Cancel B Class and Issue Ordinary	05-Aug-20	-1,500,000	-150
Balance Held		-	-

Convertible Notes

The directors did not participate in the convertible note issue.

Note 23: Financial Risk Management

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company and the Group through regular reviews of the risks.

The totals for each category of financial instruments, measured in accordance with AASB 9, as detailed in the accounting policies to these financial statements, are as follows:

Categories of financial instruments	Note	Consolidated
		2020
		\$
Financial assets		
Cash and cash equivalents	3	564,759
Trade and other receivables	4	61,166
		625,925
Financial liabilities		
Trade and other payables	12	251,603
Lease liabilities	13	45,271
Borrowings	14	300,000
		596,874

a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The principal financial instruments from which financial instrument risk arises:

- trade and other receivables
- cash at bank
- trade and other payables
- borrowings

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Group's finance function.

The Group's risk management policies and objectives are therefore designed to minimise the potential impact of these risks on the results of the Group where such impacts may be material.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

b. Credit risks

Jade Gas Pty Ltd
Notes to the financial statements
30 June 2020

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of the contract obligations that could lead to a financial loss to the Group. There is no material amount of collateral held as security at 30 June 2020

Cash and cash equivalents

The Group limits its exposure to credit risk by only depositing cash at banks or financial institutions that have an acceptable credit rating.

Trade and other receivables

As the Group operates primarily in investment and exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Group, where necessary, establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at balance date is as follows:

	Note	2020
		\$
Trade and other receivables	4	61,166
		<u>61,166</u>

c. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual flows. The Group does not have any external borrowings.

The Group may need to raise additional capital in the next 12 months if forecast operational activities are completed earlier than anticipated. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Financial liability and financial asset maturity analysis

Consolidated

At 30 June 2020	Within 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Financial liabilities due for payment				
Trade and other payables	251,603	-	-	251,603
Lease liabilities	45,271			45,271
Borrowings	300,000			300,000
Total expected outflows	596,874	-	-	596,874
Financial assets – cash flows realisable				
Cash and cash equivalents	564,759	-	-	564,759
Trade and other receivables	61,166	-	-	61,166

Total anticipated inflows	625,925	-	-	625,925
Net inflow/(outflow) on financial instruments	(29,051)	-	-	(29,051)
At 30 June 2020	Within 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Financial liabilities due for payment				
Trade and other payables	251,603	-	-	251,603
Lease liabilities	45,271	-	-	45,271
Borrowings	300,000			300,000
Total expected outflows	596,874	-	-	596,874
Financial assets – cash flows realisable				
Cash and cash equivalents	564,759	-	-	564,759
Trade and other receivables	61,166	-	-	61,166
Total anticipated inflows	625,925	-	-	625,925
Net inflow/(outflow) on financial instruments	29,051	-	-	29,051

d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

i) Foreign exchange risk

At balance date, the following cash, amounts receivable and amounts payable in foreign currency.

	2020
	Consolidated
<u>Mongolian MNT</u>	MNT
Cash & Cash equivalents	42,696,363
	<u>42,696,363</u>
<u>US Dollars</u>	USD
Cash & Cash equivalents	302,207
	<u>302,207</u>

ii) Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents on short term deposit at best available market interest rates.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

2020

	\$
Variable rate instruments	
Financial assets – cash and cash equivalents	<u>564,759</u>

Fair value sensitivity analysis for variable rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior period.

	Profit or loss		Equity	
	100bp	100bp	100bp	100bp
	Increase	decrease	increase	decrease
	\$	\$	\$	\$
30 June 2020				
Variable rate instruments	5,648	(5,648)	5,648	(5,648)

e. Fair values

Fair values of financial assets and liabilities are equivalent to carrying values due to their short term to maturity

Note 24. Capital Commitments

The terms of the Production Sharing Contract held by MGR include minimum expenditure requirements over the period of the agreement. The terms of the PSC are commercial in confidence.

Note 25. Events after the reporting period

At 30th June 2020 \$416,000 had been received by the company for a convertible note issue. Subsequent to 30th June 2020 an addition \$404,000 was received, bringing the total of the Convertible Note issue to \$820,000

Additional shares have been issued after the reporting date. Details of these share issues are described in note 16 Share Capital.

Subsequent to 30 June 2020 the company completed two further capital placements, issuing 5,000,000 ordinary shares at \$0.12 each, raising a total of \$600,000 in cash.

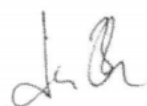
No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Jade Gas Pty Ltd
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the, the Accounting Standards, and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors



Joseph Burke

Director

28 April 2021

INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT TO THE MEMBERS OF JADE GAS PTY LTD

Report on the Financial Statements

We have reviewed the accompanying financial statements of Jade Gas Pty Ltd, which comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Emphasis of matter: Reissue of financial report

We draw attention to Note 1 in the financial statements, which discusses that the financial statements have been revised and reissued as a result of the identification of a material change in non-controlling interest in the group which occurred prior to 30 June 2020 but was not identified when the financial statements were initially released. This review report supersedes our review report on the previously issued financial report dated 2 December 2020. Our conclusion is not modified in respect of this matter.

Directors Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Assurance Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with Standard on Review Engagements ASRE 2400, *Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity*. ASRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ASRE 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.



The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Australian Auditing Standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Jade Gas Pty Ltd as at 30 June 2020, and its financial performance and cash flows for the period then ended, in accordance with the Australian Accounting Standards.

A stylized, handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'G K Edwards'.

G K Edwards
Director

Adelaide, 5 May 2021

ANNEXURE B

STATEMENT OF INTENTIONS

This Annexure B sets out the present intentions of the Key Jade Vendors in relation to the continuation of the Company's business, capital structure, employee arrangements, assets and financial policies. The Key Jade Vendors have given the information contained in this Annexure B to the Company to assist it to meet its responsibilities under section 611 item 7 of the Corporations Act and ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in, this Annexure B. The Key Jade Vendors jointly and severally make no statement or representation in relation to the Company, or its intentions in respect of the Company, which may change if it becomes aware of information that is not currently available to it.

- (a) Business of the Company: It is the Key Jade Vendors' present intention that, following the Transaction (if approved by Shareholders), the Company will pursue the Jade business following completion of the Transaction. The Key Jade Vendors intend to use their expertise to improve and further develop the Company and to drive further performance and sustainable growth.
- (b) Capital of the Company: The Key Jade Vendors have no present intention to inject capital into the Company.
- (c) Present employees: The Key Jade Vendors have no present intention of making any changes regarding the future employment of the present employees of the Company. The Key Jade Vendors intend to support the election and re-election of Joseph Patrick Burke and Daniel William Eddington to the Board.
- (d) Transfer and deployment of assets: The Key Jade Vendors do not currently intend to make any major changes to the deployment of fixed assets of the Company, or to transfer any assets between the Company and the Key Jade Vendors or any person associated with either of them, other than as required to implement the strategic objectives of the Company following completion of the Transaction.
- (e) Financial or dividend policies: The Key Jade Vendors do not currently intend to significantly change the financial or dividend policies of the Company after completion of the Transaction, other than to ensure that the Company's policies are up to date and in compliance with the relevant accounting policies and processes from time to time.
- (f) After completion of the Transaction (if approved by Shareholders), the Key Jade Vendors may conduct a review of the Company (Strategic Review) in conjunction with the Board of the Company in order to:
 - (i) evaluate the Company's performance and prospects in the context of the pursuit of the business of Jade;
 - (ii) identify areas where the Key Jade Vendors can add value to the Company through their technical expertise and financial resources and its experience in relevant assets; and
 - (iii) review the Company's assets to determine the optimal allocation of assets.

The statements set out in this Annexure B are statements of present intention only. Statements set out in this Annexure B may change as new information becomes available or as circumstances change, and the statements in this Annexure B should be read in that context. Any statement of intention is also subject to the Corporations Act, the ASX Listing Rules, the Company's constitution and the statutory and fiduciary obligations of the Company's directors at the relevant time (including the Directors nominated by Jade) to act in the best interests of the Company and the Company's shareholders.

Any statement of intention is also subject to the extent of the Key Jade Vendors' shareholding at the relevant time. The extent of the Key Jade Vendors' shareholdings in the Company will determine the regulatory requirements for, and other practical matters associated with, implementing the Key Jade Vendors' intentions.

On completion of the Transaction, the Key Jade Vendors will endeavour, to the extent possible through its non-controlling holding, to give effect to the intentions set out in this Annexure B.

The Key Jade Vendors may, at some future time, acquire further HGM shares in the Company in a manner consistent with the Corporations Act, the ASX Listing Rules and other applicable laws.

ANNEXURE C

Pro-Forma Financial Information

The Pro-Forma Financial Information set out below comprises the unaudited Pro-Forma Statement of Financial Position as at 31 December 2020 of the High Grade Metals Limited (**HGM or the Company**) and Jade Gas Pty Ltd (**Jade**) (**Combined Entity**) adjusted for any subsequent events and showing the impact of the proposed capital raising and the effects of the acquisition.

The Pro-Forma Financial Statement of Financial Position reflects the following events that have occurred subsequent to the period ended 31 December 2020 (**Subsequent Events**):

- i. The issue of 5,000,000 Jade shares for \$600,000.

The unaudited Pro-Forma Statement of Financial Position has been derived from the unaudited consolidated Statement of Financial Position as at 31 December 2020 of HGM and Jade, adjusted for the Subsequent Events and for the following transactions as if they had occurred at 31 December 2020 (**Pro-Forma Transactions**):

- 1) A 1:5 Consolidation of the Company's existing ordinary shares;
- 2) Issue of 846,166,667 Consideration Shares to Jade Vendors in partial consideration for the acquisition of 100% of the issued shares in Jade;
- 3) Issue of 68,000,000 Consideration Options to Jade Vendors in partial consideration for the acquisition of 100% of the issued shares in Jade;
- 4) Issue of 250,000,000 Shares pursuant to a capital raising at a Price of \$0.03 per Share to raise \$7,500,000 cash before expenses of the capital raising;
- 5) the effects of the acquisition; and
- 6) total costs expected to be incurred in connection with the capital raising are approximately \$650,000 (being \$300,108 settled in cash and charged to equity and \$349,892 settled in cash and charged to the Profit or Loss).

**Unaudited Pro-Forma Statement of Financial Position of the Combined Entity as at
31 December 2020**

		HGM	Jade			
		Audited as at	Audited as at	Subsequent	Pro-forma adjustments	Pro-forma
	Notes	31-Dec-20	31-Dec-20	events		
		\$		\$	\$	\$
Current assets						
Cash and cash equivalents	2	82,637	162,140	600,000	6,850,000	7,694,777
Trade and other receivables		29,022	424	-	-	29,446
Inventories		-	198	-	-	198
Other assets		95,167	7,018	-	-	102,185
Total current assets		206,826	169,780	600,000	6,850,000	7,826,606
Non current assets						
Plant and equipment		-	357,268	-	-	357,268
Right-of-use asset		-	19,833	-	-	19,833
Exploration and evaluation assets		-	1,611,976	-	-	1,611,976
Intangible assets		-	1,140	-	-	1,140
Total non current assets		-	1,990,217	-	-	1,990,217
TOTAL ASSETS		206,826	2,159,997	600,000	6,850,000	9,816,823
Current liabilities						
Trade and other payables		190,667	162,655	-	-	353,322
Lease liabilities		-	19,144	-	-	19,144
Borrowings		-	70,000	-	-	70,000
Total current liabilities		190,667	251,799	-	-	442,466
TOTAL LIABILITIES		190,667	251,799	-	-	442,466
NET ASSETS		16,159	1,908,199	600,000	6,850,000	9,374,357
Equity						
Contributed equity	3	10,740,921	822,558	600,000	676,006	12,839,485
Unissued share capital	4	-	2,610,000	-	(2,610,000)	-
Convertible note	5	-	820,000	-	(820,000)	-
Reserves	6	118,598	(831,937)	-	1,357,004	643,665
Accumulated losses	7	(10,843,360)	(1,559,224)	-	8,246,990	(4,155,594)
Non-controlling interest		-	46,802	-	-	46,802
NET EQUITY/(DEFICIT)		16,159	1,908,199	600,000	6,850,000	9,374,357

The above unaudited pro forma statement of financial position should be read in conjunction with the accompanying notes

Notes to and Forming Part of the Pro-Forma Financial Information

Note 1 Summary of significant accounting policies

a. Basis of preparation

The pro forma statement of financial position has been compiled to illustrate the impact of the acquisition of Jade and associated transactions on the financial position of HGM as at 31 December 2020, as if the acquisition and associated transactions had taken place at that date.

The pro forma statement of financial position comprises the unaudited pro forma statement of financial position as at 31 December 2020 of the Combined Entity, comprising HGM and Jade, adjusted for certain subsequent events and showing the impact of the proposed capital raising and the effects of the acquisition.

The unaudited pro-forma statement of financial position has been derived from the unaudited consolidated statements of financial position as at 31 December 2020 of HGM and Jade, adjusted for the following transactions as if they had occurred at 31 December 2020:

- A 1:5 Consolidation of the Company's existing ordinary shares;
- Issue of 846,166,667 Consideration Shares to Jade Vendors in partial consideration for the acquisition of 100% of the issued shares in Jade;
- Issue of 68,000,000 Consideration Options to Jade Vendors in partial consideration for the acquisition of 100% of the issued shares in Jade;
- Issue of 250,000,000 shares pursuant to a capital raising at a price of \$0.03 per Share to raise \$7,500,000 cash before expenses of the capital raise;
- the effects of the acquisition; and
- total costs expected to be incurred in connection with the capital raise are approximately \$650,000 (being \$300,108 settled in cash and charged to equity and \$349,892 settled in cash and charged to the Profit or Loss).

The pro forma financial statement of financial position reflects the following events that have occurred subsequent to the period ended 31 December 2020:

- The issue of 5,000,000 Jade shares for \$600,000.

The pro forma statement of financial position has been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'). Monetary amounts are expressed in Australian dollars.

The pro forma statement of financial position has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Material accounting policies adopted in the preparation of the pro forma statement of financial position are presented below. The pro forma statement of financial position has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b. Reverse acquisition

The proposed acquisition of Jade will result in the Jade shareholders holding a controlling interest in HGM after the transaction. This proposed transaction does not meet the definition of a business combination in Australian Accounting Standard AASB 3 *Business Combinations* (AASB 3). The transaction has therefore been accounted for in the unaudited pro forma Statement of financial position of the Combined Entity in accordance with Australian Accounting Standard AASB 2 *Share-based Payments* and has been accounted for as a continuation of the financial statements of Jade together with a deemed issue of shares. The deemed issue of shares is, in effect, a share-based payment transaction whereby Jade is deemed to have received the net assets of HGM, together with its listing status.

Because the unaudited pro forma statement of financial position of the Combined Entity represents a part of the continuation of the financial statements of Jade, the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in AASB 3 have been applied as follows:

- fair value adjustments arising at acquisition are made to HGM's assets and liabilities, not those of Jade. As the carrying value of all assets and liabilities held by HGM at 31 December 2020 approximated their fair value, no adjustments were required;
- the equity structure (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of HGM, including the equity instruments issued to effect the acquisition;
- accumulated (losses)/ profits and other equity balances at acquisition date are those of Jade;
- the cost of the acquisition, and amount recognised as contributed equity to affect the transaction, is based on the deemed number of shares that Jade would have needed to issue to give the shareholders of HGM the same shareholding percentage in the Combined Entity that results from the transaction; and
- a share-based payment transaction arises whereby Jade is deemed to have issued shares in exchange for the net assets of HGM (together with its listing status). The listing status does not qualify for recognition as an intangible asset and the relevant costs have therefore been expensed in profit or loss as a listing expense.

The fair value of the deemed number of shares that Jade would have needed to issue is estimated to be \$3,397,035.

The fair value of HGM's net liabilities as at 31 December 2020, adjusted for the costs associated with the acquisition, is estimated to be \$16,159. Deducting the fair value of HGM's net liabilities from the deemed consideration results in a notional listing expense of \$3,380,876.

As the proposed acquisition, if implemented, will be effected at a future date, the actual financial position of the Combined Entity post completion will differ from that presented above.

c. Principles of consolidation

The pro forma statement of financial position consolidates the financial position of HGM and Jade and all of their subsidiaries at 31 December 2020. All transactions and balances between Combined Entity companies are eliminated on consolidation, including unrealised gains and losses on transactions between Combined Entity companies. Amounts reported in the statement of financial position of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Combined Entity companies.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Combined Entity. The Combined Entity attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

d. Income tax

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

e. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

f. Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

g. Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits

h. Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one period of abandoning the site.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

i. Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

j. Financial Instruments

Classification and measurement

Except for certain trade receivables the Combined Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Combined Entity's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Significant accounting estimates and judgments for share based payments values

The Combined Entity estimates the probability of award of performance rights issued to key management personnel and other consultants and advisors by reference to the likelihood that the performance measures will be met by the holders of those performance rights as at the date at which they are granted. The probability is considered binary (100% or 0%) for each class of performance rights and only where there is a high risk of failure to achieve the performance measures will 0% be used (e.g. stretch targets).

Impairment

From 1 January 2019 the Combined Entity assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Combined Entity expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Combined Entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Combined Entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

k. Contributed equity

Issued and paid up-capital is recognised at the fair value of the consideration received by the Combined Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

l. Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Combined Entity companies

The financial results and position of foreign operations, whose functional currency is different from the Combined Entity's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

m. Employee benefits

Provision is made for the Combined Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Equity-settled compensation

The Combined Entity provides benefits to employees (including senior executives) of the Combined Entity in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions)

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes pricing model which incorporates all market vesting conditions.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-based transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Combined Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in

the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If any equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

n. Provisions

Provisions are recognised when the Combined Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

o. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

p. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q. Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

r. Convertible note

The component of the convertible notes that exhibits characteristics of equity is recognised as equity in the statement of financial position, net of transaction costs.

s. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

t. Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST/VAT incurred is not recoverable from the Australian Taxation Office or Austrian Taxation Office (Tax Office).

Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST and VAT recoverable from, or payable to, the Tax Office is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST and VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the Tax Office are presented as operating cash flows included in receipts from customers or payments to suppliers.

u. Impact of COVID-19 pandemic

The World Health Organisation announced that the Coronavirus (COVID-19) had become a pandemic on 11 March 2020. The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The full impact of COVID-19 and timing of easing of restrictions continues to evolve. At the date of this report, it is uncertain what the effect will be on the group and potentially it will have a post balance date impact. The Board and management will continue to monitor the impact of the pandemic on the Group's operations and state of affairs. The Board does not believe the pandemic will have any impact on the Group's ability to continue as a going concern.

v. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Combined Entity.

Key estimates

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Combined Entity as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the Australian Taxation Office.

Share-based payment transactions

The Combined Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Exploration and Evaluation Expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in Note 1(h).

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

w. Share-based payments

Equity settled transactions:

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

x. AASB 16 Leases

AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognize right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

Subsequent to initial recognition:

- a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - i. Investment property, the lessee applies the fair model in AASB 140 Investment Property to the right-of-use asset; or
 - ii. Property, plant or equipment, applies the revaluation model in AASB 116 Property, Plant and Equipment to all the right-of-use assets that relate to that class or property, plant and equipment; and
- b) Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases for finance leases subject to whether the lease transfers to the lessee substantially all of the risks and

rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

The Combined Entity recognises right-of-use assets totalling \$19,833 representing its right to use the underlying asset and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

In calculating the present value of lease payments, the Combined Entity uses the incremental borrowing rate of 3.72%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount or lease liabilities is remeasured if there is a modification, a change in lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

	HGM Audited 31-Dec-20	Combined Entity Pro-forma
NOTE 2. CASH AND CASH EQUIVALENTS	\$	\$
Cash and cash equivalents	82,637	7,694,777
Audited balance of the Company at 31 December 2020		82,637
Audited balance of Jade at 31 December 2020		162,140
<i>Subsequent events:</i>		
Issue of shares in Jade		600,000
		600,000
<i>Pro-forma adjustments:</i>		
Proceeds from the Capital Raise		7,500,000
Costs of the Capital Raise		(650,000)
		6,850,000
Pro-forma Balance		7,694,777

No Pro-Forma adjustments have been made to reflect cash flow movements from operating activities between 1 January 2021 and the date of this document. The cash balance of the Combined Entity as at 31 December 2020 is \$244,777.

As at 28 May 2021 the unaudited cash balance of the Combined Entity decreased by approximately \$77,000 to \$168,044.

	HGM Audited 31-Dec-20	Combined Entity Pro-forma
NOTE 3. CONTRIBUTED EQUITY	\$	\$
Contributed equity	10,740,921	12,839,485
	Number of shares	\$
Fully paid ordinary share capital of the Company at 31 December 2020	566,172,490	10,740,921
Fully paid ordinary share capital of Jade at 31 December 2020	-	822,558
<i>Subsequent events:</i>		
Issue of shares in Jade post 31 December 2020	-	600,000
	-	600,000
<i>Pro-forma adjustments:</i>		
Elimination of HGM Issued Capital on RTO		(10,740,921)
Reduction on share consolidation of the Company (1:5)	(452,937,992)	-
Conversion of Convertible Notes on RTO		820,000
Issue of Consideration Shares	846,166,667	3,397,035
Proceeds from Capital Raise Shares issued	250,000,000	7,500,000
Costs of the Offer		(300,108)
	643,228,675	676,006
Pro-forma Balance	1,209,401,165	12,839,485

	HGM Audited 31-Dec-20	Combined Entity Pro-forma
NOTE 4. UNISSUED SHARE CAPITAL	\$	\$
Unissued share capital		-
Audited balance of Jade at 31 December 2020		2,610,000
<i>Pro-forma adjustments:</i>		
Extinguishment of Jade unissued capital (UB Methane) by the issue of Consideration Shares		(2,610,000)
		(2,610,000)
Pro-forma Balance		-

	HGM Audited 31-Dec-20	Combined Entity Pro-forma
NOTE 5. CONVERTIBLE NOTES	\$	\$
Convertible notes	-	-
Audited balance of Jade at 31 December 2020		820,000
<i>Pro-forma adjustments:</i>		
Conversion of convertible notes to Consideration Shares		(820,000)
		(820,000)
Pro-forma Balance		-

	HGM Audited 31-Dec-20	Combined Entity Pro-forma
NOTE 6. RESERVES	\$	\$
Reserves	118,598	643,665
Audited balance of the Company as at 31 December 2020		118,598
Audited balance of Jade at 31 December 2020		(831,937)
<i>Pro-forma adjustments:</i>		
Elimination of HGM Reserves on RTO		(118,598)
Reduction of Jade Other Reserve on RTO		571,202
Issue of Consideration Options		904,400
		1,357,004
Pro-forma Balance		643,665

	HGM Audited 31-Dec-20 \$	Combined Entity Pro-forma \$
NOTE 7. ACCUMULATED LOSSES		
Accumulated losses	(10,843,360)	(4,155,594)
Audited balance of the Company at 31 December 2020		(10,843,360)
Audited balance of Jade at 31 December 2020		(1,559,224)
<i>Pro-forma adjustments:</i>		
Elimination of accumulated losses on RTO		10,843,360
Extinguishment of Unissued Capital on RTO		2,610,000
Reduction of Other Reserve on RTO		(571,202)
Issue of Consideration Options		(904,400)
Listing expense		(3,380,876)
Costs of the Offer		(349,892)
		8,246,990
Pro-forma Balance		(4,155,594)

The value of the Consideration Options, calculated using the Black Scholes option pricing model, is detailed below.

Options to be issued	
Number of options	68,000,000
Underlying share price	\$0.030
Exercise price	\$0.045
Expected volatility	100%
Expiry date (years)	2.2
Expected dividends	Nil
Risk free rate	0.07%
Value per option	\$0.013
Total value	\$904,400

ANNEXURE D

TERMS OF CONSIDERATION OPTIONS AND INCENTIVE OPTIONS

Each option (**Option**) entitles the holder (**Option holder**) to subscribe for one ordinary fully paid share in the capital of the Company on the following terms and conditions.

- The Options expire at 5:00pm Victoria time on 30 June 2023 (**Expiry Date**). Any Option not exercised before the expiry date will automatically lapse on the Expiry Date.
- Each Option gives the Option holder the right to subscribe for one ordinary share in the Company. To obtain the right given by each Option, the Option holder must exercise the Option in accordance with the terms and conditions of the Options.
- The exercise price payable upon exercise of each Option will be \$0.045 (4.5 cents) (**Exercise Price**).
- An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - a written notice of exercise of the Options specifying the number of Options being exercised (**Exercise Notice**); and
 - a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- An Exercise Notice is only valid when the Company has received the full amount of the Exercise Price in cleared funds.
- Within 10 business days of receipt of the Exercise Notice accompanied by funds constituting the Exercise Price, the Company will allot and issue the number of ordinary shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- All ordinary shares allotted upon exercise of Options will, upon allotment, rank pari passu in all respects with the other shares of the Company.
- In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which the Option holder is entitled or the Exercise Price of the Options or both will be reconstructed (as appropriate) in accordance with standard practice so as to ensure that said reorganisation is neither advantageous or disadvantageous to the Option holder.
- There are no participation rights or entitlements inherent in the Options and the Option holders will not be entitled to participate in new issues of shares offered to shareholders during the term of the Options.
- The Options are freely transferable.
- The Company will not apply for quotation of the Options on ASX.
- Compliance with the Corporations Act, ASX Listing Rules and constitution of the Company (**Constitution**):
 - Despite anything else contained in these terms and conditions, if the Corporations Act, ASX Listing Rules or Constitution prohibits an act being done, that act must not be done.
 - Nothing contained in these terms and conditions prevents an act being done that the Corporations Act, ASX Listing Rules or Constitution require to be done.
 - If the Corporations Act, ASX Listing Rules or Constitution conflict with these terms and conditions, or these terms and conditions do not comply with the Corporations Act, ASX Listing Rules or the Constitution, the holder authorises the Company to do anything

necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.

- The terms of the Options may be amended as necessary by the Directors of the Company in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms.

ANNEXURE E

SOLICITOR'S REPORT

5 May 2021

The Board of Directors
High Grade Metals Limited
Level 17, 500 Collins Street
Melbourne, Victoria, 3000
Australia

Dear Directors,

Solicitors' report on petroleum tenements in Mongolia

This Report has been prepared for inclusion in a Prospectus for the initial public offering of up to 250,000,000 fully paid ordinary shares in the capital of High Grade Metals Limited ACN 062 879 583 (**Company** or **HGML**) at an issue price of AUD\$0.03 per share, to raise up to AUD\$,7,500,000.

1. Scope

- 1.1 We have been instructed to report on the Petroleum Tenements in which Jade Australia holds an interest through its indirect subsidiary, Methane Gas Resource.
- 1.2 Methane Gas Resource was established by Erdenes Methane and Jade Methane to implement the TTJV Project. Pursuant to the TTJV Project Investment Agreement, Methane Gas Resource will be the operator and contractor under the Production Sharing Agreement.
- 1.3 Under Government Resolution No 143 dated 22 April 2020, the Government granted MRPAM a right to enter into the Production Sharing Agreement with Erdenes Methane.
- 1.4 On or around 6 May 2020, Erdenes Methane and MRPAM entered into the Production Sharing Agreement pursuant to which the Petroleum Tenements, which are located in Tsogttsetsii and Khankhongor Souns of Umnugovi Province, Mongolia, were granted.
- 1.5 On 14 October 2020 pursuant to Government Resolution No. 150, the Government approved the transfer of all of Erdenes Methane's rights and obligations under the Production Sharing Agreement to Methane Gas Resource.
- 1.6 On or around 11 December 2020, MRPAM, Erdenes Methane and Methane Gas Resource entered into the Tripartite Agreement transferring all of Erdenes Methane's rights and obligations under the Production Sharing Agreement to Methane Gas Resource.
- 1.7 On 15 March 2021, the Ministry granted the Exploration Licence to Methane Gas Resource.
- 1.8 The scope of this Report is limited to the following matters:
 - (a) confirmation of the shareholding of the Jade Group Companies;
 - (b) the status of the Production Sharing Agreement;
 - (c) the status of the Exploration Licence; and
 - (d) provision of a high level overview of the Mongolian legal and regulatory framework as it relates to the exploration and exploitation of CBM,(together, the **Scope**).
- 1.9 This Report is strictly limited to the matters contemplated in the Scope and is not to be read as extending by implication to any other matter in connection with the Proposed Transaction or the



Material Agreements. This Report does not address any views as to whether the Material Agreements achieve the commercial intentions of the parties in relation to the Proposed Transaction.

- 1.10 This Report only relates to the laws of Mongolia in force at 9.00am on the date of this Report. We express no views as to the laws of any other jurisdiction.
- 1.11 We express no views on any matter requiring skill or expertise of a non-legal nature, such as formulae, or financial, statistical, accounting, commercial or actuarial matters.
- 1.12 This Report is structured as follows:
 - (a) Schedule 1 sets out a detailed description of the Petroleum Tenements;
 - (b) Schedule 2 sets out the list of the Material Agreements;
 - (c) Schedule 3 sets out the list of reference letters received from Government Authorities; and
 - (d) Schedule 4 sets out the definitions of capitalised terms used in this Report.

2. Definitions

Capitalised terms used in this Report have the meaning given to them in Schedule 4.

3. Benefit and reliance

- 3.1 This Report is provided solely for the benefit of the Company and its directors for inclusion in the Prospectus and any notice of meeting to be provided by the Company to its shareholders in connection with a vote to approve the Prospectus and consummation of transactions contemplated by the Prospectus, and we note that we consent to this use.
- 3.2 Other than in the Prospectus, this Report is not to be:
 - (a) disclosed to or relied on by any other persons; or
 - (b) used for any other purpose or quoted or referred to in any other public document or filed with any Government Authority or other person,without MinterEllison's prior written consent.
- 3.3 Other than for current shareholders of the Company and prospective shareholders of the Company in connection with the issue of shares contemplated by the Prospectus, MinterEllison expressly disclaims any liability in respect of this Report to any governmental authority (including any Government Authority) person, entity or association.

4. Public searches and further enquiries

- 4.1 For the purposes of this Report, we:
 - (a) conducted certain public searches in relation to the Production Sharing Agreement and the Jade Group Companies and sought confirmations from certain relevant Government Authorities (**Public Searches**) between 22 July 2020 and 19 March 2021 and received references from the Government Authorities on the dates indicated in Schedule 3; and
 - (b) administered due diligence questionnaires and made enquiries of, and obtained confirmations from, the management and shareholders, as relevant, of each of Erdenes Methane and each Jade Group Company (**Management Enquiries**) on 22 July 2020 and then again on 19 March 2021.
- 4.2 This Report has been prepared based on (and is limited to):
 - (a) the results of the Public Searches provided by the Government Authorities; and
 - (b) the responses to the Management Enquiries provided by Erdenes Methane and the Jade Group Companies,

and we have not made any independent investigations or enquiries in relation to the information and confirmations provided to us under those Public Searches and Management Enquiries.

4.3 We express no view about:

- (a) the accuracy of, or any factual matter disclosed by the Public Searches or the Management Enquiries; or
- (b) the status of the Petroleum Tenements, the Production Sharing Agreement or the Exploration Licence after the date of the relevant Public Search or Management Enquiry, as relevant.

5. Documents examined

5.1 For the purpose of this Report, we have examined only the Material Agreements and relied on the results of the Public Searches together with the information and confirmations provided by Erdenes Methane and the Jade Group Companies in response to the Management Enquiries.

5.2 Except as stated above, we have not:

- (a) examined any documents entered into by or affecting Jade Australia or any Jade Group Company or any of their corporate records;
- (b) made any other searches or enquiries concerning Jade Australia or any Jade Group Company, the Production Sharing Agreement, the Exploration Licence or the Petroleum Tenements; and
- (c) held discussions with the management or boards of Jade Australia, or any Jade Group Company or Government Authority.

5.3 We have not investigated, verified nor assisted in the investigation or verification of any assumption, or the reasonableness of any assumption or statement or view contained, in any of the Material Agreements or the Exploration Licence nor have we attempted to determine whether any material matter has been omitted from them.

6. Findings

Based on our review of the results of the Public Searches, the responses to the Management Enquiries and the Material Agreements, being subject to the assumptions and qualifications set out in paragraphs 8 and 9 below, our view is that:

Prospecting Agreement

6.1 On or around 24 February 2017, the Prospecting Agreement was entered into between Erdenes Methane and MRPAM.

Prospecting Work Report

6.2 On or around 16 September 2019, the Prospecting Work Report was submitted by Erdenes Methane to MRPAM. The Prospecting Agreement is no longer effective as at the date of this Report.

6.3 On or around 4 October 2019, the Prospecting Work Report was accepted by the Technical Committee of Petroleum Prospecting, Exploration and Exploitation (**Technical Committee**).

Production Sharing Agreement

6.4 Pursuant to Government Resolution No 143 dated 22 April 2020, the Government authorised MRPAM to enter into the Production Sharing Agreement with Erdenes Methane.

6.5 On or around 6 May 2020, the Production Sharing Agreement was signed between Erdenes Methane and MRPAM.

6.6 The Petroleum Tenements have been validly issued under the Production Sharing Agreement.

6.7 The Production Sharing Agreement is valid and effective as at the date of this Report.

Transfer of Production Sharing Agreement

6.8 Under clause 16.2.2 of the TTJV Project Investment Agreement, Erdenes Methane is required to transfer its rights and obligations under the Production Sharing Agreement to Methane Gas Resource.

- 6.9 To comply with its obligation under the TTJV Project Investment Agreement, Erdenes Methane applied to MRPAM on or around 12 May 2020 to transfer all of its rights and obligations under the Production Sharing Agreement to Methane Gas Resource (the **Transfer Request**).
- 6.10 On or around 11 June 2020, MRPAM issued a conclusion supporting the Transfer Request (**MRPAM Conclusion**).
- 6.11 On or around 14 October 2020, the Government approved the transfer of all of Erdenes Methane's rights and obligations under the Production Sharing Agreement to Methane Gas Resource in accordance with Articles 7.1.8 and 14.1 of the Petroleum Law (**Government Approval**).

Tripartite Agreement

- 6.12 On or around 11 December 2020, Methane Gas Resource, Erdenes Methane and MRPAM entered into the Tripartite Agreement transferring all of the rights and obligations under the Production Sharing Agreement from Erdenes Methane to Methane Gas Resource.

Fees

- 6.13 On or around 15 December 2020, Methane Gas Resource paid, in MNT56,991,200, equal to US\$20,000 to the state budget as a fee for transferring all of the rights and obligations under the Production Sharing Agreement (**Transfer Fee**) as required under Article 34.7 of the Petroleum Law, the Tripartite Agreement and the Assignment Agreement. Pursuant to Article 14.6 of the Petroleum Law, Methane Gas Resource was obliged to pay the Transfer Fee within 30 calendar days following the date of the Government Approval (i.e. by 14 November 2020).
- 6.14 As at the date of this Report:
- (a) only a 'signature fee' and the Transfer Fee have been paid to MRPAM;
 - (b) the remaining payment obligations under the Production Sharing Agreement, including but not limited to the payment of the following bonuses and costs to MRPAM are still outstanding:
 - (i) the 'training bonus' for 2021;
 - (ii) the 'support for the representative office operations fee' for 2021;
 - (iii) the 'local development bonus' for 2021; and
 - (iv) other 'service fees' specified in the Petroleum Law,(together, the **Fees**).
- 6.15 As at the date of this Report, Methane Gas Resource has confirmed that it has not yet paid the Fees other than those stated in paragraph 6.14(a). Pursuant to clauses 2.1.7, 2.1.8, 13.4.2, 13.5.2 and 13.6.2 of the Production Sharing Agreement, the Fees must be paid within 30 days following the issuance of the Exploration Licence (i.e. by 15 April 2021).

Exploration work plan and budget

- 6.16 On or around 26 January 2021, MRPAM approved the exploration work plan and budget for 2021 submitted by Methane Gas Resource (**Exploration Work Plan and Budget for 2021**).
- 6.17 On or around 4 March 2021, Methane Gas Resource deposited, in MNT91,033,594.49, equal to US\$31,950.02 as the environmental reclamation fund fee in the escrow bank account at Golomt Bank LLC (**Reclamation Fund Fee**). The Reclamation Fund Fee must have been paid within 60 calendar days following the approval of the Exploration Work Plan and Budget for 2021 (i.e. by 27 March 2021).

Exploration Licence

- 6.18 On or around 15 March 2021, the Ministry granted the Exploration Licence to Methane Gas Resource for a term of 10 years commencing from the date on which the Production Sharing Agreement is executed.
- 6.19 As at the date of this Report, Methane Gas Resource has confirmed that it has not yet paid an annual licence fee of the Exploration Licence (**Licence Fee**). For the purpose of clauses 2.1.7, 2.1.8 and

12.1.1 of the Production Sharing Agreement, the Licence Fee for the first exploration year must be paid within 60 calendar days following the issuance of the Exploration Licence (i.e. by 14 May 2021).

- 6.20 The Exploration Licence is valid and effective as at the date of this Report.

Overlapping tenements

- 6.21 The Petroleum Tenements overlap with the coal mining tenements of the Tavan Tolgoi strategic mine which are currently held by Erdenes TT under a number of coal mining licences. Erdenes TT and Erdenes Methane are parties to the Cooperation Agreement which regulates, amongst other things, matters relating to overlapping tenements (i.e. the Petroleum Tenements) and is valid until June 2021.

- 6.22 As the holder of the Exploration Licence Methane Gas Resource will need to either:

- (a) enter into a fresh cooperation agreement with Erdenes TT regulating substantially the same matters as are regulated by the Cooperation Agreement; or
- (b) enter into a tripartite agreement with Erdenes TT and Erdenes Methane pursuant to which the rights and obligations of Erdenes Methane under the Cooperation Agreement are transferred from Erdenes Methane to Methane Gas Resource,

to comply with the requirements under Article 42.3 of the Petroleum Law.

- 6.23 As at the date of this Report, Methane Gas Resource has confirmed that it has not entered into a fresh cooperation agreement with Erdenes TT in relation to the matters regulated under the Cooperation Agreement.

Baruun Naran

- 6.24 Baruun Naran was established for the purpose of prospecting, exploring, developing and exploiting CBM gas for the BN Project. As at the date of this Report, we understand that Baruun Naran has not yet applied to MRPAM for a prospecting agreement or a PSA in relation to the BN Project.

Jade Group Companies

- 6.25 In respect of the Jade Group Companies:

- (a) Jade Australia is the registered holder of 100% of the total issued shares in each of Jade Gas Mongolia and Jade Methane;
- (b) Jade Methane is the registered holder of 60% of the total issued shares in Methane Gas Resource and Erdenes Methane is the registered holder of the remaining 40% of the issued shares in Methane Gas Resource; and
- (c) Jade Gas Mongolia is the registered holder of 66% of the total issued shares in Baruun Naran and Khangad Exploration is the registered holder of the remaining 34% of the shares in Baruun Naran.

- 6.26 As at the date of this Report, the shares in each Jade Group Company are not subject to any registered share pledge.

7. High level overview of the Mongolian regulatory and legal framework applicable to petroleum rights

Regulation of CBM in Mongolia

- 7.1 Activities relating to CBM are regulated by the Petroleum Law and Resolution No. 295. The Petroleum Law and implementing regulations approved pursuant to the Petroleum Law provide for a legal and regulatory framework for the prospecting, exploration, development and exploitation of CBM in Mongolia.

- 7.2 The power of the Government under the Petroleum Law includes, but is not limited to:

- (a) approving entry into a PSA on an area with special needs;
- (b) approving the conclusion and termination of a PSA;

- (c) resolving the transfer of the rights and obligations under a PSA to another entity; and
 - (d) resolving issues concerning overlapping petroleum tenements with other minerals licence areas based on consideration of social and economic significance of respective projects in circumstances where licence holders are unable to continue their operations simultaneously in respect of the same area.
- 7.3 The Petroleum Law generally falls within the portfolio of responsibilities of the Ministry. The Ministry is responsible for, amongst other things, issuance, extension, suspension and termination of exploration and exploitation licences for CBM.
- 7.4 MRPAM is an implementing agency established by the Government and which reports to the Ministry. MRPAM is responsible for the implementation of the Petroleum Law and its primary responsibilities include, but are not limited to, approving annual plans and budgets for prospecting, exploration and exploitation works, monitoring the implementation of same, entering into prospecting agreements and PSAs (subject to obtaining Government approval), temporarily suspending activities related to CBM (partially or fully) on the grounds and for the reasons provided under applicable laws and recommending to the Ministry whether to grant exploration and exploitation licences for CBM-related activities.
- 7.5 The Petroleum Exploitation Division of MRPAM is the primary regulatory department responsible for the day-to-day administration of the Petroleum Law and is in charge of ensuring the implementation of prospecting agreements and PSAs.
- 7.6 The degree of Government intervention and regulation in the natural resources sector in Mongolia is comparatively high. Processes can be bureaucratic, fluid and subject to change without public notice. A comprehensive understanding of the legal framework for petroleum activities (including CBM) and a close working relationship with both the Ministry and MRPAM can therefore assist in mitigating the uncertainties surrounding Mongolia's bureaucracy in the petroleum sector.

Exploration, exploitation activities and requisite licences

- 7.7 Pursuant to the Petroleum Law, all conventional and unconventional petroleum existing in Mongolia's subsoil or land surface, is the property of the Government. CBM is one type of unconventional petroleum along with shale oil, natural bitumen, tar sand, gas-rich shale and gas sand.
- 7.8 As the owner of all natural resources in Mongolia (including petroleum), the Government exercises its ownership rights by approving entry into PSAs and issuing exploration and exploitation licences to contractors.
- 7.9 While the Government is able to grant petroleum exploration and exploitation rights to others within the framework provided under the Petroleum Law, it is not possible, as a matter of Mongolian law, to convey title in, or over, petroleum (including CBM) to private parties. This means that upon expiration or termination of a PSA and the relevant accompanying licence all of the petroleum rights thereunder will revert to the Government. As such, the rights conferred by the award of a PSA and licence in Mongolia are to be understood as provisional rights held by a contractor for a period of time.
- 7.10 Exploration and exploitation of CBM may only be carried out under an exploration or exploitation licence issued by the Ministry to a legal entity registered in Mongolia. Although, a contractor under a PSA can be a foreign registered legal entity, a licence holder must be a legal entity established under the laws of Mongolia and be registered as a taxpayer in Mongolia. It is not uncommon in Mongolia for a contractor under a PSA to be an offshore entity (usually for the purpose of capital raising etc.) while the actual exploration and/or exploitation licence holder is a local operator company that is a direct or indirect subsidiary of the contractor.
- 7.11 The size of the exploration area is determined by MRPAM based on the geological formation of the petroleum basin. If any damage is caused to properties owned or possessed by others due to exploration or exploitation works, then the contractor must pay compensation for such damages. A contractor will also be responsible for any costs related to relocating such properties.
- 7.12 The meaning of 'CBM', 'contractor', 'exploitation', 'exploration', 'extraction' and 'prospecting' is defined under Article 4.1 of the Petroleum Law as follows:
- (a) '*CBM*' means gas accumulated in coal during the process of carbonisation (Article 4.1.5 of the Petroleum Law);

- (b) '*Contractor*' means a company that has entered into a contract to conduct petroleum exploration or exploitation within the territory of Mongolia (Article 4.1.11 of the Petroleum Law);
- (c) '*Exploitation*' means the development and extraction operations for exploiting a petroleum or unconventional petroleum deposit (Article 4.1.16 of the Petroleum Law);
- (d) '*Exploration*' means geological, geochemical, geophysical, drilling and extraction testing work to be performed for the purpose of finding an oilfield and establishing an amount of reserves (Article 4.1.8 of the Petroleum Law);
- (e) '*Extraction*' means all operations of extracting except for the development up to a delivery point (Article 4.1.18 of the Petroleum Law); and
- (f) '*Prospecting*' means geological, geochemical and geophysical survey work to be performed for the purpose of determining the prospects of petroleum and unconventional petroleum in a certain area (Article 4.1.7 of the Petroleum Law).

Production sharing agreements

- 7.13 As a matter of Mongolian law, a PSA can be entered into with the following entities:
- (a) a legal entity which has completed prospecting work and applied for a PSA; or
 - (b) the winner of an open tender for exploration or exploitation areas.
- 7.14 A legal entity which has carried out prospecting works must provide primary documents and a Prospecting Work Report to MRPAM following conclusion of the prospecting works. Upon receipt MRPAM will, in turn, issue a conclusion in relation to the Prospecting Work Report. Within 60 days following the issuance of a conclusion by MRPAM, the legal entity which has carried out the prospecting works must submit a proposal to enter into a PSA to MRPAM together with a draft PSA which, amongst other things, must reflect the following terms:
- (a) the percentage of CBM profit to be allocated to the Government;
 - (b) the percentage of royalties;
 - (c) the limit on the percentage of CBM costs;
 - (d) the amount of exploration investment;
 - (e) the amount of funds to be spent on environmental restoration;
 - (f) the amount of bonus allocated for instruction and training;
 - (g) the amount of bonus allocated for signing the PSA contract;
 - (h) the amount of bonus allocated for commencing extraction;
 - (i) the amount of bonus allocated for increasing extraction;
 - (j) the amount of bonus allocated for local development;
 - (k) operational support for the representative office; and
 - (l) other favourable conditions proposed to the Government.
- 7.15 The amounts specified in paragraphs 7.14(f) to 7.14(j) are not specifically set out under Mongolian law. Rather those amounts are proposed by the contractor based on consideration of existing PSAs already in place and the scope and potential of the specific project in question.
- 7.16 MRPAM will negotiate the terms of the proposed PSA with the applicant within 60 days following receipt of a draft PSA. If negotiation between MRPAM and the applicant is unsuccessful, the petroleum area over which the legal entity has applied to enter into a PSA will be announced as an area available for exploration. In this case, a public tender must be organised to select a preferred contractor for the PSA. For further details see paragraph 7.35 below.

- 7.17 If the negotiation between MRPAM and the applicant results in an agreed form of PSA, then MRPAM will submit that agreed form of PSA for review to the Ministry. The Ministry will review the draft PSA within 30 days following receipt from MRPAM and submit its proposal to the Government for approval. The Government will then determine whether to issue an approval for the entry into the draft PSA within 60 days following receipt of the Ministry's proposal.
- 7.18 Within 30 days of the grant of the Government's approval, MRPAM must enter into a PSA with the applicant. Generally, the process takes at least six months to get a PSA signed by MRPAM. However, we note that it may take longer due to the capacity and workload of Government Authorities as well as any delays and/or restrictions resulting from or related to the COVID-19 pandemic.
- 7.19 Notwithstanding the above, a PSA can also be entered into with the winner of a competitive tender process for available exploration and exploitation areas. Please refer to paragraph 7.35 in this regard.

Template production sharing agreement

- 7.20 The template PSA adopted by Government Resolution No. 104 dated 16 March 2015 contemplates, amongst other things, the following duties of a contractor:
- (a) to ensure exploration and exploitation activities comply with international standards and effective exploitation requirements;
 - (b) preparation of an annual review of contract implementation which must be submitted to MRPAM for its conclusion;
 - (c) organisation of an annual meeting (at least once a year) with representatives of MRPAM in relation to exploration and exploitation activities;
 - (d) organisation of a meeting with local people of the area where the exploration or exploitation activities are conducted for the purpose of providing information in relation to these activities; and
 - (e) to provide information to the Government (upon its request) regarding investment and ownership of the project and/or the contractor.

Transfer of PSA rights and obligations

- 7.21 Under Article 14.1 of the Petroleum Law a contractor may transfer one-third or more of the rights and obligations under a PSA to others upon obtaining permission from the Government. The contractor must submit any such request to MRPAM and the Ministry for a conclusion and approval of the Government. The Government is authorised to approve the transfer of a contractor's rights and obligations under a PSA in accordance with Article 7.1.8 of the Petroleum Law. Following Government approval, a contractor which has transferred its rights under a PSA must pay the following fees to the state budget:
- (a) an amount, in MNT, equal to US\$20,000 if the transfer is effected prior to the discovery of any petroleum reserve in the exploration well;
 - (b) an amount, in MNT, equal to US\$50,000 if the transfer is effected after the discovery of any petroleum reserve in the exploration well; or
 - (c) an amount, in MNT, equal to US\$100,000 if the transfer is effected following commencement of the exploitation period.
- 7.22 Article 14.1 of the Petroleum Law permits the transfer of rights and obligations under a PSA in an amount less than one-third by a contractor without the need to obtain permission from any Government Authority.
- 7.23 Where any rights and obligations under a PSA are transferred to a third party, the contractor, MRPAM and any transferee must enter into a tripartite agreement pursuant to Article 14.5 of the Petroleum Law.

Relinquishment requirement

- 7.24 At the end of the relevant phases of the exploration period, a contractor is obliged to relinquish parts of the exploration area in the amount agreed under the PSA. At the end of the exploration period, all

areas except for the exploitation areas agreed between MRPAM and the contractor must be returned to the state (i.e. relinquished).

- 7.25 Exploitation areas can be partly or fully returned to MRPAM at the request of the contractor provided that the minimum exploration work conducted on the exploration area has been completed. Pursuant to a template PSA approved by the Government, the exploitation area must be relinquished in part or in full if the contractor has:
- (a) not conducted exploitation activities for a period of 12 months or for 24 months due to force majeure events;
 - (b) caused severe damage to human health, the environment and animals; and
 - (c) repeatedly failed to comply with its environmental obligations.
- 7.26 A contractor must fully comply with its environmental obligations which include rehabilitation in respect of the exploration or exploitation areas.
- 7.27 A contractor may conduct exploration and exploitation activities for conventional and unconventional petroleum on the same tenement area. In these circumstances, the contractor will be required to enter into separate PSAs and obtain separate licences in respect of conventional and unconventional petroleum.

Exploration licence: application process

- 7.28 A legal entity that has entered into a PSA or its operator company that is registered in Mongolia will be granted an exploration licence by the Ministry on a direct application basis. We are aware of instances where an exploration licence has been granted to a subsidiary of a contractor which entered into a PSA with MRPAM and is an operator under the PSA.
- 7.29 The applicant must submit an application in approved form to the Ministry enclosing the following supporting documents pursuant to Article 18.2 of the Petroleum Law:
- (a) a copy of the PSA;
 - (b) an environmental impact assessment report;
 - (c) the exploration works plan for the given year; and
 - (d) a document evidencing that an amount equal to 3% of the investment for the exploration works of the given year has been deposited in an escrow account at a commercial bank in Mongolia to guarantee the performance of the environmental rehabilitation obligations of the applicant.
- 7.30 The Ministry will review the application against the requirements under the Petroleum Law. If the application satisfies the requirements under the Petroleum Law as described in paragraph 7.29 above, the Ministry will grant the exploration licence to the applicant or its operator company for an agreed period of exploration and inform the relevant local authority of the grant of the exploration licence pursuant to Article 18.3 of the Petroleum Law.

Exploration licence: term

- 7.31 An exploration licence is issued for the same term as the exploration period. Exploration terms for CBM are up to ten (10) years and can be renewed once by MRPAM for a further period of up to five (5) years (i.e. a maximum exploration term of 15 years). The exploration term commences on the date of the PSA.
- 7.32 The Ministry may extend the exploration licence for two (2) subsequent extensions of two (2) years each once the exploration term has been extended by MRPAM. Renewals are not automatic. In making any application for renewal, both the Ministry and MRPAM must be satisfied that the contractor and/or licence holder have complied with all of the terms and conditions of the PSA and the exploration licence (including the payment of all licence fees and preparation of works reports related to exploration, environmental protection and rehabilitation).
- 7.33 An exploration licence grants the holder with the exclusive right to access the land within the exploration area for the purpose of conducting exploration activities in accordance with the Petroleum Law, PSA and the approved exploration work plan. Rights are also given to a licence holder to traverse

and pass over the land that is owned or possessed by others to access the exploration licence area provided that such access is pre-agreed with the relevant owner or possessor.

Resource estimate report

- 7.34 Within 90 days of the expiry of the exploration term, the holder of an exploration licence must submit a resource evaluation and reserve estimate report to MRPAM and the Technical Committee for review. Following which, the Ministry will consider the report for discussion, review and conclusion. Based on the conclusion and recommendation issued by the Technical Committee, the Ministry will decide whether to register a CBM reserve submitted by the contractor.

Tender for exploration area

- 7.35 Exploration tenements are granted on the basis of a competitive tender under Articles 19.1.1 to 19.1.6 of the Petroleum Law, if:
- (a) state-funded exploration work was conducted on the area or if the exploration area was specified by MRPAM;
 - (b) the legal entity that carried out the prospecting works refused to enter into a PSA;
 - (c) the exploration licence was revoked by a competent authority due to repeated breaches thereof or a party that previously received the exploration licence refused to perform exploration and relinquished the exploration licence area;
 - (d) the exploration licence has expired and the exploration areas have been returned to the state;
 - (e) the exploration licence was revoked in accordance with the Petroleum Law; or
 - (f) the exploration licence was revoked pursuant to a decision of a court.
- 7.36 MRPAM must publish the tender announcement through its official website and in daily newspapers at least three times under Article 19.2 of the Petroleum Law. The exploration area will be determined by MRPAM on the basis of the geological structure of the petroleum basin area.
- 7.37 The applicant must submit tender documents to MRPAM containing the requisite information and supporting tender documentation required under the Tender Regulation in order to qualify for participation in the tender. MRPAM is required to announce the deadline for receiving the tender documents within five days following the receipt of the first tender document. The total period for receiving the tender documents will be up to 60 days.
- 7.38 MRPAM must assess the tender documents in accordance with the Tender Regulation and select the applicant which submitted the most favourable proposal to the Government. This will be reflected in a draft PSA pursuant to Article 17.3 of the Petroleum Law.
- 7.39 Subject to obtaining the requisite approval from the Government, MRPAM will enter into a PSA with a successful tender applicant based on the terms of a PSA that has been negotiated and agreed to between MRPAM and the applicant.

Exploitation licence: application process

- 7.40 A request to obtain an exploitation licence must be submitted by the contractor to the Ministry within 30 days following the issuance of the Ministry's decision to register a CBM reserve. The following information and supporting documents must be submitted to the Ministry pursuant to Article 24.4 of the Petroleum Law along with the licence application request:
- (a) a decision of the Ministry registering the CBM reserve;
 - (b) a work plan and budget proposal for the given year;
 - (c) a deposit mining operational plan;
 - (d) a detailed environmental impact assessment for mining;
 - (e) a picture determining the coordinates of the corner points of the mining area on the topographical map approved by the relevant authority; and

- (f) a document evidencing that funds equal to 1% of CBM profits to be allotted to the contractor has been deposited into an escrow account at a commercial bank of Mongolia as a guarantee of the contractor's full performance of its environmental rehabilitation obligations.

Exploitation licence: term

- 7.41 An exploitation licence will be granted by the Ministry for the initial term of the exploitation period which is up to 30 years for CBM. The licence may be renewed once for a period of up to five years subject to the application for extension of the exploitation period submitted to MRPAM pursuant to Article 25.3 of the Petroleum Law. Upon the extension of the exploitation period by MRPAM, the exploitation licence will be extended by the Ministry.

Tender for exploitation area

- 7.42 A competitive tender in respect of the petroleum area will be announced by MRPAM under Articles 26.1.1 to 26.1.6 of the Petroleum Law, if:
- (a) the holder of the exploration licence has not submitted a request to obtain an extraction licence following the issuance of a decision of the Ministry registering a CBM reserve;
 - (b) state-funded exploration work was conducted on the exploration area and determined a reserve;
 - (c) the previous holder of the extraction licence refused to extract and returned the licence area;
 - (d) an extraction licence has been revoked due to a breach of the legislation by the extraction licence holder and the licence area has been returned;
 - (e) the term of the extraction licence has expired and the licence area has been returned; or
 - (f) an extraction licence has been revoked pursuant to a decision of a court.
- 7.43 MRPAM will organise a public tender in accordance with the Tender Regulation and will select an applicant with whom it will negotiate the terms of a draft PSA.
- 7.44 An extraction licence will be granted to the winner of a tender who has entered into a PSA with MRPAM in accordance with the procedures under the Tender Regulation as specified in paragraph 7.35 above.

Fees and royalties: licence fees

- 7.45 A holder of an exploration or exploitation licence must pay annual licence fees in respect of such licence.
- 7.46 The annual fee for an exploration licence will be an amount, in MNT, equal to US\$3 per square kilometre of the licence area. Where an exploration licence is renewed, the annual fee will be an amount, in MNT, equal to US\$8 per square kilometre of the licence area.
- 7.47 The annual fee for an exploitation licence will be an amount, in MNT, equal to US\$100 per square kilometre of the licence area. Where an exploitation licence is renewed, the annual fee will be an amount, in MNT, equal to US\$200 per square kilometre of the licence area.
- 7.48 Licence holders are required to pay the licence fee within 30 days of the beginning of each financial year.
- 7.49 A failure to pay the licence fees within the prescribed period will result in a fine equal to one third of the annual licence fee payable for each type of licence per day.

Fees and royalties: royalty rates

- 7.50 A royalty rate of between 5% - 10% is payable in relation to extracted CBM while a royalty rate of between 5% - 15% is payable for extracted crude oil or natural gas.
- 7.51 The exact percentage of the royalty rate is generally proposed by the contractor and negotiated with MRPAM within the range described above and set out in the PSA.

Recoverable costs

- 7.52 All costs required for conducting activities related to CBM must be accounted for by the contractor.
- 7.53 A contractor may recover the costs by arranging certification of these costs by a Government auditor in the amount specified in the PSA.
- 7.54 Recoverable costs will not include the fees paid by the contractor in accordance with the Petroleum Law such as licence fees, royalties and bonuses etc.

Bonuses and other fees

- 7.55 A contractor must pay bonuses and other fees in the amounts stated under the PSA in relation to the signing of the PSA, commencement extraction, increased extraction, training, local area development, representative office support, environmental reclamation fund payments, royalty payments and service fees.
- 7.56 Pursuant to Article 34.6 of the Petroleum Law a contractor is required to pay an amount, in MNT, equal to US\$100,000 for increasing the exploration area and US\$250,000 for increasing the extraction area.

Overlapping tenements

- 7.57 It is common in Mongolia for petroleum tenements to overlap with licence areas granted for different minerals including coal exploration and mining tenements or other types of conventional and unconventional petroleum.
- 7.58 Under Article 35.7 of the Minerals Law, a minerals licence holder which discovers CBM in the course of its mining operations must notify MRPAM of such discovery. If the minerals licence holder decides to explore for CBM, all issues related to unconventional petroleum will be regulated by the Petroleum Law.
- 7.59 The Petroleum Law provides that in the case of overlapping tenements, licence holders will be required to enter into an agreement to regulate their activities within the overlapped area without disrupting each other's operations. Failure to enter into an agreement and carry out their respective operations without disrupting the operations of one another may result in the Government deciding on which project should be prioritised based on the consideration of the economic and social benefits of each project for Mongolia.
- 7.60 The Government may resolve to terminate the operations of one of the projects and revoke its licence. In such circumstances, the licence holder that continues its operation will need to pay all costs of the licence holder whose licence was revoked, including the costs associated with exploration and exploitation works. For instance, if a petroleum licence holder cannot reach an agreement with the holder of a coal licence operating on the same tenure, the Government may terminate the operation of the coal licence holder if the petroleum project has the potential of creating more social and economic benefits for Mongolia than the coal project. In such a case, the petroleum licence holder will be required to pay compensation for all costs incurred by the coal licence holder.
- 7.61 Petroleum and coal licences issued over the same area are independent from each other and are issued in accordance with separate laws (i.e. the Minerals Law and Petroleum Law). Accordingly, the validity of one licence will not affect the validity of the other licence. Petroleum rights are also independent from underlying mineral licences. For instance, the termination or revocation of coal exploration licences held by one licence holder would not affect the validity and good standing of petroleum licences and relevant petroleum tenements provided under a PSA held by another licence holder. Mongolian law is otherwise silent as to the resolution of disputes between licence holders in relation to overlapping tenures.
- 7.62 In the event that conventional petroleum and unconventional petroleum exploration and exploitation is carried out in the same area, a contractor must enter into a PSA pertaining to each petroleum mineral and obtain a licence for each PSA.¹
- 7.63 If MRPAM and a contractor are unable to amicably resolve property or other disputes during the course of petroleum operations, then the parties may file a complaint to arbitration provided that there is a valid arbitration agreement between the parties. If there is no arbitration agreement between the parties, then the dispute will be resolved by a local court.²

¹ Article 17.8 of the Petroleum Law.

² Article 43.1 of the Petroleum Law.

Other issues: tax

- 7.64 The indirect transfer of petroleum rights (i.e. by way of selling shares in the petroleum licence holding entity) is subject to a withholding tax rate of 10% under the Revised CIT Law effective from 1 January 2020.
- 7.65 The amount of taxable income will be determined pursuant to the '*Regulation for Imposing Tax on the Sale or Transfer of Exploration and Mining Licence for Minerals, Radioactive Minerals and Petroleum*' approved by Order No. 302 of the Minister of Finance dated 31 December 2019.

Other issues: force majeure

- 7.66 During a declared state of emergency in the entire territory or some of the regions of Mongolia, the Government may '*partly*' or '*completely*' requisition the contractor's share of the petroleum (including CBM), buildings, facilities, equipment and machinery related to the contractors petroleum activities with compensation payable to the contractor. In such an event, the contractor would be provided with the opportunity to '*express*' its views in relation to the requisition.
- 7.67 If a contractor's activities were suspended for more than a year due to a force majeure event (including but not limited to the novel COVID-19 pandemic), then the Ministry will extend the exploration and exploitation period by the period of suspension. In this regard, the contractor would be required to submit evidence to MRPAM proved by an authorised organisation within 30 days from the date that the force majeure event occurred.
- 7.68 If Mongolia is in a state of war, the Government is entitled to demand the contractor to increase its production capacity up to the maximum level that ensures the safety of the contractor's machinery, technology and manufacturing at that time. In such a case, the parties will set maximum production on the basis of mutual agreement.

Transfer of ownership right

- 7.69 Ownership of immovable or movable properties, equipment, machineries and goods and products imported to Mongolia for the purpose of conducting petroleum exploration and exploitation activities prior to or after the PSA's expiry must be agreed to under the PSA. If the Government resolves not to accept the transfer of such properties, then the contractor must arrange for the shut-down of the site at its own cost.

Insurance

- 7.70 There is no mandatory requirement under the law requiring a contractor and its sub-contractors to be insured for their activities in respect of a petroleum tenement. However, if a contractor decides to insure its property, then the insurer must be a Mongolian insurer unless the Mongolian insurer is unable to provide sufficient insurance coverage to the contractor. In that case, a foreign insurer could be engaged.

Subcontractor liability

- 7.71 The contractor is liable to the Government for all damages caused by the activities of a subcontractor performing petroleum exploration and exploitation work.

Reporting obligations

- 7.72 A contractor is required to submit various information and documents, including but not limited to exploration and exploitation work reports, primary information and materials to MRPAM within a certain time-frame described under the Petroleum Law or the PSA.
- 7.73 A contractor must submit the following information for the previous year to the Ministry and MRPAM and report same to the public via news media by the first quarter of the following year:
- (a) investment amount and costs;
 - (b) paid royalty;
 - (c) CBM amount extracted and sold;
 - (d) taxes paid for state and local budgets; and

- (e) the amount of the paid bonuses and service fees.

8. Assumptions

This Report is subject to the following assumptions:

- 8.1 All documents (including in respect of the Public Searches) submitted to or obtained by us as originals are authentic, complete, valid and effective and all signatures, seals, dates and duty markings are genuine.
- 8.2 MinterEllison did not undertake the following Public Searches:
 - (a) Reference Letter No. 3/4225 dated 15 September 2020 from MRPAM in relation to the status of the Production Sharing Agreement (refer to Item 2 of Schedule 3);
 - (b) Reference Letter No. 03416 dated 16 September 2020 from the Central Archive of SRO in relation to Erdenes Methane (refer to Item 1 of Schedule 3); and
 - (c) Reference Letter No. 03/758 dated 30 March 2021 from the Ministry in relation to the Exploration Licence (refer to Item 38 of Schedule 3).
- 8.3 The reference letters set out in paragraphs 8.2(a) and 8.2(b) were obtained by Erdenes Methane and the reference letter set out in paragraph 8.2(c) was obtained by Methane Gas Resource. In each case MinterEllison was provided with a scanned copy of the relevant reference letter and we have relied on the accuracy, authenticity, validity and effectiveness of these reference letters. We have assumed that such reference letters and the confirmations and information contained within them are complete, up to date and not misleading in any way. We have not independently verified with the relevant Government Authorities whether the reference letters are accurate, genuine or authentic.
- 8.4 All documents provided to us by Jade Australia, Erdenes Methane, each Jade Group Company and any Government Authority as copies, notarised copies or scanned copies conform with the originals, are complete, up to date, have not been amended and the underlying original continues in full force and effect.
- 8.5 Any facsimile or scanned signature page reviewed by us is a true and complete copy of the signature page of the original document to which it appears, or is purported, to relate and the signature page formed part of the original document when it was signed.
- 8.6 All official and unofficial information, confirmations or responses obtained from Government Authorities or provided to us by officers, employees or advisers of the Company, Erdenes Methane, Jade Australia or any Jade Group Company, are accurate, complete, up to date and not misleading in any way.
- 8.7 On the basis of Government Resolution No 143 dated 22 April 2020 approving the entry into of the Production Sharing Agreement between Erdenes Methane and MRPAM, we have assumed that Erdenes Methane has obtained all necessary approvals from all relevant Government Authorities (including MRPAM and the Ministry) and performed all of its obligations in order to enter into the Production Sharing Agreement with MRPAM.
- 8.8 On the basis of Government Resolution No 150 dated 14 October 2020, we have assumed that:
 - (a) Erdenes Methane has obtained all of the necessary corporate approvals (including the approval that must be obtained from Erdenes Mongol or any other Government Authority under applicable laws and its own internal policies) to transfer its rights and obligations under the Production Sharing Agreement to Methane Gas Resource; and
 - (b) the Ministry has issued a proposal to the Government supporting the transfer of the rights and obligations under the Production Sharing Agreement from Erdenes Methane to Methane Gas Resource following receipt of the MRPAM Conclusion.
- 8.9 On the basis of the Ministerial Order, we have assumed that Methane Gas Resource has obtained all necessary corporate approvals (where required) and submitted true and complete originals and/or copies of all requisite documents to the relevant Government Authorities (including the Ministry) in order to obtain the Exploration Licence.

- 8.10 Any person or entity who has been held out by the Company, Erdenes Methane, Jade Australia or any Jade Group Company to be an executive director, director, secretary, officer, governing person, shareholder or agent of that company or who otherwise appears from information made available to us by Erdenes Methane, Jade Australia or any Jade Group Company to have acted in such a capacity has been duly appointed and has the proper authority to exercise the powers and perform the duties customarily exercised or performed by an executive director, director, secretary, officer, governing person, shareholder or agent of a similar company.
- 8.11 English translations of all documents provided to us are accurate.
- 8.12 There has been no arrangement, agreement or understanding under which the terms of any of the obligations under any Material Agreement (except for the Prospecting Agreement) are in whole or in part varied, waived or terminated.
- 8.13 None of Erdenes Methane, Jade Australia or any Jade Group Company has entered into a Material Agreement as a trustee.
- 8.14 Where we express our view on compliance (material or otherwise) with any obligation under the Material Agreements or any applicable law, our view:
- (a) relates only to obligations which have fallen due for performance and does not extend to future obligations; and
 - (b) is based on the information and responses provided to us by Erdenes Methane, Jade Australia and any Jade Group Company or any reference letter obtained from Government Authorities.
- We have not independently verified whether Jade Australia, each Jade Group Company or Erdenes Methane has, as a matter of fact, complied with such obligations.
- 8.15 All information recorded on the Mongolian Pledge Registry is complete, accurate and up to date.
- 8.16 The execution by Erdenes Methane and each Jade Group Company of the Material Agreements and the incurring by each of those companies of liabilities and obligations under the Material Agreements are *bona fide* in the interests of each of those companies and for a commercial benefit to that company which is commensurate with the obligations assumed by it under the Material Agreements, as the case may be.
- 8.17 Any documents provided to us in relation to the Material Agreements, any Jade Group Company or Erdenes Methane are authentic, were within the powers and capacity of those who executed them, were duly authorised, executed and delivered and are binding on the parties to them.
- 8.18 Erdenes Methane and each Jade Group Company:
- (a) was solvent immediately before and after the execution of any Material Agreement to which they are a party; and
 - (b) did not become insolvent because of entering into the Material Agreements to which it is a party.
- 8.19 No Insolvency Event has occurred in respect of Erdenes Methane or any Jade Group Company as at the date of this Report.
- 8.20 Due execution and due delivery of all Material Agreements by all parties under all applicable laws.
- 8.21 The Material Agreements (except for the Prospecting Agreement) do or will constitute legal, valid, binding and enforceable obligations of the parties to them under applicable laws and have been authorised, executed and delivered by the relevant parties under the laws of Mongolia or such other laws as expressed in such documents to, or do, apply.
- 8.22 The Petroleum Tenements exist in accordance with the coordinates set out in Schedule 1 that form the 'Contract Areas' listed in the Production Sharing Agreement and no changes have been made to the coordinates of the Petroleum Tenements.
- 8.23 No person, entity or Governmental Authority in connection with any Material Agreement has engaged, or will engage, in fraudulent, unconscionable, misleading or deceptive conduct, which is likely to

mislead or deceive, nor are there any facts or circumstances not evident on the face of the Material Agreements which would make any part of this Report incorrect.

- 8.24 Unless apparent from the Public Searches or the information provided to us in response to the Management Enquiries, we have assumed that Erdenes Methane and each Jade Group Company has complied with all of the requirements necessary to maintain the Production Sharing Agreement and the Exploration Licence in good standing.

9. Qualifications

This Report is subject to the following qualifications:

Production Sharing Agreement

- 9.1 Methane Gas Resource conducted the prospecting works under the Prospecting Agreement without being granted with any right (either at law or contract) to do so. Furthermore, as a matter of law, the legal entity which conducted the prospecting works should have submitted the Prospecting Work Report to MRPAM. Jade Australia has confirmed to us that the Prospecting Work Report was submitted by Erdenes Methane (which did not carry out the prospecting works) to MRPAM on or around 16 September 2019. Notwithstanding the breach of the Petroleum Law whereby Methane Gas Resource conducted prospecting works without proper authorisation and Erdenes Methane did not carry out the prospecting works submitted in the Prospecting Work Report to MRPAM, we consider the probability of the Production Sharing Agreement being challenged on that basis in the future to be low. This is because, the Government has approved the Production Sharing Agreement twice to i) authorise MRPAM to sign the Production Sharing Agreement with Erdenes Methane; and ii) the transfer of all of the rights and obligations under the Production Sharing Agreement from Erdenes Methane to Methane Gas Resource.
- 9.2 Erdenes Methane confirmed to us that no state budget exploration works for CBM have been conducted over the Petroleum Tenements. While both the Petroleum Law and the Production Sharing Agreement are silent in relation to the repayment of any state funded exploration works for unconventional petroleum, our verbal confirmation with MRPAM indicates to us that the costs of state budget exploration works (if any) for unconventional petroleum are included in the contract price (i.e. fees, expenses, royalties, cost recovery and production sharing) of a PSA. Accordingly, as a matter of law, the probability of additional payment obligations being imposed on a PSA contractor other than those specifically stated in the Petroleum Law or a PSA would be, in our view, low.
- 9.3 The Petroleum Tenements overlap with the Tavan Tolgoi strategic mine deposit which are currently held by Erdenes TT on the basis of coal mining licences. Pursuant to the Petroleum Law, in the case of overlapping tenements, licence holders (i.e. Erdenes TT, Erdenes Methane or Methane Gas Resource) are required to enter into an agreement setting out the basis for utilisation of the overlapping tenements whilst minimising disruption to each other's operations. Erdenes TT and Erdenes Methane have entered into the Cooperation Agreement regulating, amongst other things, matters relating to overlapping tenements (i.e. the Petroleum Tenements). We are not aware of any intention by the Government to suspend the TTJV Project and revoke the Production Sharing Agreement on the basis that Erdenes TT and Erdenes Methane are unable to amicably operate in overlapping areas without disrupting the operations of one another. This is because Erdenes Methane confirmed to us that there are no ongoing or threatened disputes in connection with the Production Sharing Agreement. Furthermore, considering the Government Approval and the recent grant of the Exploration Licence by the Ministry to Methane Gas Resource, we consider the probability of it doing so in the future to be low.

Cooperation Agreement

- 9.4 As the holder of the Exploration Licence, Methane Gas Resource will need to either:
- (a) enter into a fresh cooperation agreement with Erdenes TT regulating substantially the same matters as are regulated by the Cooperation Agreement which is valid until June 2021; or
 - (b) enter into a tripartite agreement with Erdenes TT and Erdenes Methane pursuant to which the rights and obligations of Erdenes Methane under the Cooperation Agreement will be transferred from Erdenes Methane to Methane Gas Resource,

to comply with the requirements under Article 42.3 of the Petroleum Law.

- 9.5 Furthermore, clause 9.4 of the Cooperation Agreement prohibits Erdenes TT and Erdenes Methane from transferring their contractual obligations to a third party without obtaining the written consent of the other party. This means that Erdenes TT's consent and cooperation will be required to enter into a new cooperation agreement or to transfer the rights and obligations of Erdenes Methane under the Cooperation Agreement to Methane Gas Resource. Considering the near expiry term of the Cooperation Agreement (i.e. valid until June 2021), in our view, a new cooperation agreement would be entered between Erdenes TT and Methane Gas Resource.
- 9.6 As a matter of Mongolian law, petroleum licences and coal mining licences can be issued over the same area and are issued independently of each other and are regulated in accordance with the Minerals Law and Petroleum Law, respectively. Accordingly, in our view, the validity of one licence will not affect the validity of the other licence. This means that, the termination or revocation of the coal mining licences of Erdenes TT would not affect the validity and good standing of the Production Sharing Agreement or the Petroleum Tenements given that petroleum rights are independent from the underlying mineral licences. Given this CBM project is the first of its kind in Mongolia, we are not aware of any incident where any petroleum rights (i.e. PSAs or petroleum licences) have been revoked based on the validity and good standing of the underlying coal mining licences. In this regard, we consider the probability of any Government Authority taking such action in the future to be low.

Exploration work plan and budget

- 9.7 MRPAM's letter dated 15 September 2020 referred to in paragraph 2 of Schedule 3 states that Erdenes Methane has not submitted the exploration work plan and budget for the first exploration year which is in breach of clause 7.3.1 of the Production Sharing Agreement. Whereas, Erdenes Methane stated in its response to the Due Diligence Questionnaire that it submitted the exploration work plan and budget to MRPAM on 23 September 2020.
- 9.8 Under clause 7.3.1 of the Production Sharing Agreement, the contractor is obliged to submit the exploration work plan and budget for the first exploration year within 120 calendar days following the date on which the Production Sharing Agreement is executed between the parties. Under clause 2.1.7 of the Production Sharing Agreement, the term *'the date on which the Production Sharing Agreement is executed'* is defined as 'the date on which the exploration licence is granted by the Ministry'. Based on a literal reading of clause 2.1.7 of the Production Sharing Agreement the requirement to file the respective programme and budget within 120 days does not commence until the date on which the Exploration Licence is issued to Methane Gas Resources. However, we note that the exploration work plan for the given year must be filed with the Ministry in order to obtain the Exploration Licence from the Ministry in accordance with Article 18.2.3 of the Petroleum Law.
- 9.9 Notwithstanding the above, clause 20.1 of the Production Sharing Agreement provides the following grounds for termination of the Production Sharing Agreement:
- (a) a failure by a contractor to commence the exploration works within 180 days after the date on which the Production Sharing Agreement is executed;
 - (b) a failure by a contractor to perform its obligations or the contractor has repeatedly or seriously violated the terms of the Production Sharing Agreement and failed to remedy such breaches within the timeframe set by MRPAM to remedy such breaches; and
 - (c) a failure by a contractor to remedy or begin to remedy the breaches within 30 days following the notification in writing to the contractor by the Government of its intention to terminate the Production Sharing Agreement.
- 9.10 It is possible that MRPAM may interpret *'the date on which the Production Sharing Agreement is executed'* under the Production Sharing Agreement differently and there is therefore a risk that MRPAM may form the view that Erdenes Methane, prior to transferring its rights and obligations under the Production Sharing Agreement to Methane Gas Resource, was in breach of clauses 7.3.1 (*'Approval of the exploration work plan and budget within 120 days following the date on which the Production Sharing Agreement is executed'*) and 20.1.1 (*Termination Ground – 'failure to commence exploration work plan and budgeted works within 180 days following the date on which the Production Sharing Agreement is executed'*) of the Production Sharing Agreement which would constitute repeated breaches of the Production Sharing Agreement.
- 9.11 We are, however, not aware of any intention on the part of MRPAM to take any action to initiate or propose the termination of the Production Sharing Agreement and the Exploration Licence. Furthermore, considering the Government Approval, the approval of the Exploration Work Plan and

Budget for 2021 and the recent issuance of the Exploration Licence by the Ministry to Methane Gas Resource, we consider the probability of it doing so in the future to be low.

Commencement of exploration term

- 9.12 The 'exploration period' commences from the date on which the Production Sharing Agreement is executed pursuant to Article 18.6 of the Petroleum Law. Furthermore, as per clause 7.1.1 of the Production Sharing Agreement, the exploration period will be 10 years from the date on which the Production Sharing Agreement is executed. In this regard, the Production Sharing Agreement contains two contradicting clauses:
- (a) clause 25.4.1 of the Production Sharing Agreement provides that the Production Sharing Agreement will be effective once the parties have executed it;
 - (b) whereas, clause 2.1.7 of the Production Sharing Agreement sets the term as *'the date on which the Production Sharing Agreement is executed'* which is defined as the date on which the exploration licence is granted by the Ministry.

This inconsistency in the terms used in the Production Sharing Agreement may affect the calculation of the exploration period. In relation to this issue, we express no view as to the likelihood of the interpretation to be adopted by MRPAM, the Ministry or the Government.

Payment of Fees

- 9.13 We understand that Methane Gas Resource has not paid the Transfer Fee to the state budget before 14 November 2020 (being the date 30 days following the date of the Government Approval). Under Article 12.1.4 of the Petroleum Law, the Government is entitled to terminate the Production Sharing Agreement in circumstances where such payment is not made within the prescribed timeframe. However, considering the approval of the Exploration Work Plan and Budget for 2021 and the issuance of the Exploration Licence, the probability of terminating the Production Sharing Agreement on the basis of the late payment of the Transfer Fee would be, in our view, low.
- 9.14 As at the date of this Report, Methane Gas Resource has not yet paid the outstanding Fees required under the Production Sharing Agreement. Pursuant to clause 13 of the Production Sharing Agreement, the Fees are required to be paid within 30 days of the commencement of a 'contracted year' the term of which is defined as 'the date on which the Production Sharing Agreement is executed' or 'a period of 12 consecutive calendar months from such date'. Under clause 2.1.7 of the Production Sharing Agreement, the term *'the date on which the Production Sharing Agreement is executed'* is defined as 'the date on which the exploration licence is granted by the Ministry'. As stated in paragraph 9.7 above and for the purpose of clause 2.1.7 of the Production Sharing Agreement, Methane Gas Resource is required to pay the Fees, in our view, within 30 days following the issuance of the Exploration Licence (i.e. by 15 April 2021).
- 9.15 Furthermore, as at the date of this Report, Methane Gas Resource confirmed that it has not yet paid the Licence Fee. Article 30.7 of the Petroleum Law states that the Licence Fee must be paid within 30 calendar days following the commencement of the financial year. In contrast, clause 12.1.1 of the Production Sharing Agreement states that the Licence Fee must be paid within 60 days following the commencement of the contracted year and further pay within 30 days following the commencement of each financial year. Considering clauses 2.1.7, 2.1.8 and 12.1.1 of the Production Sharing Agreement, the Licence Fee for the first exploration year must be paid, in our view, within 60 days following the issuance of the Exploration Licence (i.e. by 14 May 2021).
- 9.16 In connection with the Transfer Request, we understand that MRPAM proposed to Erdenes Methane that it should enter into an additional agreement contemplating the terms of negotiation between the parties to the Production Sharing Agreement and that the purpose of this proposal was to increase the quantum of the royalty payable and CBM allocated to the Government in circumstances where Erdenes Methane refuses to continue to hold its interest in Methane Gas Resource and opts to transfer its interest to either an investor or a third party. It is our understanding that Erdenes Methane rejected MRPAM's proposal on the basis that such an additional agreement or amendments to the Production Sharing Agreement could:
- (a) suppress investor-interest in the TTJV Project;
 - (b) adversely impact its ability to attract investment from capital markets; and/or

- (c) be resolved later on in accordance with applicable laws and directions issued by the Government in circumstances where Erdenes Methane refuses to continue to hold its interest in Methane Gas Resource.

Under clause 25.4.2 of the Production Sharing Agreement the parties may make amendments by mutual agreement, in writing and subject to Government approval. In this regard, we express no view on the prospects or likelihood of any proposal by MRPAM or the Government to amend the Production Sharing Agreement or entry into any additional agreement in the future.

- 9.17 Under clause 9.4 of the Methane Gas Shareholders Agreement and clause 7.4 of the BN Shareholders Agreement, the parties are obliged to provide written notification to the other party within five (5) working days following the occurrence of a 'change of control event'. Neither agreement defines what constitutes a 'change of control event'. As such, we express no view on whether the Proposed Transaction would constitute a change of control event under either of the Methane Gas Shareholders Agreement or the BN Shareholders Agreement.
- 9.18 We have requested from Jade Australia but have not been provided with any corporate authorisation issued by Methane Gas Resource approving the acceptance of the transfer of all of the rights and obligations under the Production Sharing Agreement from Erdenes Methane and entry on the Tripartite Agreement. As a matter of Mongolian law and unless the charter of Methane Gas Resource specifically authorises a governing person (i.e. the executive director) to act on behalf of the company, Methane Gas Resource will need to issue approve or ratify, amongst other things:
 - (a) entry into the Tripartite Agreement;
 - (b) acceptance of the transfer of all of the rights and obligations of Erdenes Methane under the Production Sharing Agreement; and
 - (c) authorise someone to sign the Tripartite Agreement and other necessary documents on Methane Gas Resource's behalf to give effect to the transfer of the rights and obligations under the Production Sharing Agreement from Erdenes Methane to Methane Gas Resource.

Public Searches

- 9.19 The documents provided by SRO referred to in paragraphs 1, 11, 19, 29 and 39 of Schedule 3 and the information provided to us in response to the Management Enquiries are not conclusively capable of revealing whether or not any Insolvency Event has occurred in respect of a Jade Group Company or Erdenes Methane. A company must file a notice of its decision to liquidate itself with LERO within 15 working days following the making of such a decision. Jade Australia has confirmed to us that no such decision has been issued by any Jade Group Company or filed with LERO. In practice, notice of these matters may not be filed with LERO immediately and when filed, may not be disclosed immediately. In addition, any public search is not capable of revealing, prior to the making of the relevant order, whether or not a liquidation application has been made.
- 9.20 There is no register and no publicly available information prior to the court making an order to commence bankruptcy proceedings in respect of a Mongolian company. Notice of these matters is only required to be made public by the court within seven days of the issuance of the court decision that the company is insolvent. Accordingly, the confirmation letters referred to in paragraphs 15, 22 and 32 of Schedule 3 are not conclusively capable of revealing whether or not any Insolvency Event has occurred in respect of a Jade Group Company.
- 9.21 We express no view as to whether any Insolvency Event has occurred in relation to Erdenes Methane.
- 9.22 The reference letters referred to in items 14, 15, 16, 21, 22, 23, 31, 32 and 33 of Schedule 3 and the information provided to us in response to the Management Enquiries are not capable of revealing whether there are any ongoing or pending proceedings in relation to any disputes (including arbitration, civil and administrative) against each Jade Group Company. This is because those reference letters only confirm that a Jade Group Company has not participated in disputes in the past and does not confirm that these entities are not subject to any ongoing or threatened disputes.
- 9.23 Searches of the Mongolian Pledge Registry may not be accurate and up to date. Furthermore, as the register is reliant on registrations being filed by pledgees of relevant collateral to perfect any underlying security over movable properties, the register is not, in its current form, conclusively capable of revealing whether or not any Encumbrances exist in relation to the issued share capital of the Jade Group Companies.

- 9.24 The information in this Report is accurate as at the date the relevant Public Searches were made and responses to the Management Enquiries were obtained. We have assumed the relevant databases and registers have been properly and accurately recorded, updated and maintained. We have not verified whether any changes have occurred in respect of the Material Agreements between the dates on which the Public Searches were made and the responses to the Management Enquiries were obtained and the date of this Report.
- 9.25 Unless specifically otherwise stated in this Report, we have not conducted any searches on or provided a view (nor have we been instructed to do so) in relation to any issues concerning Erdenes Methane.

General

- 9.26 Under the *Investment Law of Mongolia* (2013), the Proposed Transaction may require approval from Mongolia's National Development Agency if as a result of the Proposed Transaction an entity which is more than 50% owned by a foreign government (including through a sovereign wealth fund or other state owned vehicle and whether through a single or multiple holdings) is to indirectly hold 33% or more of the shares in Methane Gas Resource. Jade Australia has confirmed to us that the Proposed Transaction will not result in such ownership changes.
- 9.27 We have not calculated, verified or reconciled the adequacy of any figure or amount in any documents provided to us relating to any minimum work obligations or other financial commitments owed by any party under a Material Agreement or any applicable law. Rather we have relied solely on the documents and confirmations provided by Jade Australia or Erdenes Methane, as relevant, and the reference letter obtained from MRPAM referred to in item 2 of Schedule 3 and information and provided in response to the Management Enquiries.
- 9.28 Where any licence or permit of a Government Authority is (or was) required for the commencement of either Mongolian Project, we express no view as to whether such licence or permit will be (or was) granted, or the consequences of such licence or permit being refused.
- 9.29 This Report does not cover any third party interests, including any Encumbrances, in relation to the rights under the Production Sharing Agreement that are not apparent from our Public Searches and the information provided to us.
- 9.30 On the basis of the results of the Public Searches and confirmations provided to us by Government Authorities and any Jade Group Company (including those in response to the Management Enquiries), we are not aware of any *material* breaches of the Material Agreements or any other circumstances that would prevent Jade Australia or any Jade Group Company from earning their proposed rights and interest under the Material Agreements.
- 9.31 References in this Report relating to the description of the Petroleum Tenements are obtained from and rely on the details set out in the Production Sharing Agreement. We express no view on the accuracy of those details which from a technical perspective are beyond our expertise.
- 9.32 We have not been instructed to conduct (and therefore have not conducted) any searches regarding environmental compliance by any Jade Group Company or Erdenes Methane in relation to the activities under the Production Sharing Agreement or over the Petroleum Tenements.
- 9.33 We have not verified whether any internal or external limitation on the powers of the signatories to bind Erdenes Methane, Jade Australia or any Jade Group Company have been exceeded. On the basis of the documents that we have examined (as listed in paragraph 5.1 above), we are not aware of any such limitation.
- 9.34 We express no view:
- (a) on taxation, actuarial or accounting matters; or
 - (b) as to any provision of any document that purports to bind a person not a party to the document.
- 9.35 Many of the laws of Mongolia are uncertain and, in most cases, untested. The courts of Mongolia are unpredictable and decisions may not necessarily reflect the better interpretation of Mongolian law.
- 9.36 Other than the matters contemplated under the Scope, no additional work has been performed by us in preparing this Report. We have not conducted any enquiries regarding legal matters which may impact

the Production Sharing Agreement, the Exploration Agreement and the Petroleum Tenements beyond the Scope.

9.37 No qualification limits any other qualification.

10. Mongolian law

10.1 Mongolian law prohibits foreign lawyers from practising Mongolian law or giving legal opinions on matters of Mongolian law. In this Report:

- (a) Minter Ellison LLP's advice is limited to how the Mongolian legal environment will impact on the matters set out in the Scope based on Minter Ellison LLP's experience in dealing with similar matters in Mongolia, its discussions with Mongolian government officials and its monitoring of Mongolian laws and regulations; and
- (b) Mongolian law advice and formal Mongolian law legal opinions are provided by Mongolian-qualified lawyers at ME MGL Advocates LLP, the undersigned firm of Mongolian qualified lawyers co-located in the offices of Minter Ellison LLP.

11. Liability

Our liability under this Report is limited in accordance with the terms of our engagement letter with the Company dated 26 July 2019.

12. Consent

This Report is given for the benefit of those persons and entities and in the circumstances described in paragraphs 3.1 and **Error! Reference source not found.** and is not to be disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior written consent.

Yours faithfully,

MINTER ELLISON LLP



Contact: Sebastian Rosholt
Sebastian.Rosholt@minterellison.com
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T: +976 7017 7968

ME MGL ADVOCATES LLP



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Schedule 1 – Description of the Petroleum Tenements

Location:

No	City, province	Soum, district
1	Umnugovi: 66435.51 hectare	Tsogtsetsii: 65667.88 hectare
		Khankhongor: 767.63 hectare

Coordinates:

Multi-angle	#	Longitude			Latitude		
		grad	min	sec	grad	min	sec
EX1	1	105	45	1.33	43	43	1.41
EX1	2	105	45	1.31	43	33	1.4
EX1	3	105	16	1.23	43	33	1.4
EX1	4	105	16	1.26	43	43	1.41
EX1	5	105	32	38.33	43	43	1.41
EX1	6	105	32	38.33	43	42	31.42
EX1	7	105	36	23.33	43	42	31.42
EX1	8	105	36	23.33	43	43	1.41
EX1In1	1	105	26	51.25	43	39	19.42
EX1In1	2	105	32	31.32	43	39	19.42
EX1In1	3	105	32	31.33	43	41	25.4
EX1In1	4	105	26	51.25	43	41	25.42
EX1In2	1	105	27	55.23	43	35	36.42
EX1In2	2	105	30	51.33	43	35	36.39
EX1In2	3	105	30	51.33	43	38	46.4
EX1In2	4	105	27	55.24	43	38	46.42

Total area: 66435.51 Hectare or 664,3 km²

Schedule 2 – Material Agreements

No	Document	Date	Original/ copy	Language
1.	Tripartite Agreement	11 December 2020	Copy	English and Mongolian
2.	Production Sharing Agreement	6 May 2020	Copy	English and Mongolian
3.	Methane Gas Shareholders Agreement	20 May 2019	Copy	English and Mongolian
4.	TTJV Project Investment Agreement	20 May 2019	Copy	English and Mongolian
5.	BN Shareholders Agreement	14 August 2019	Copy	English
6.	BN Project Investment Agreement	14 August 2019	Copy	English and Mongolian
7.	Cooperation Agreement	25 June 2019	Copy	Mongolian

Schedule 3 – Reference letters received from Government Authorities

No	Document	Date	Original/ Copy	Language
1. Erdenes Methane				
1.	Reference Letter No. 3416 from LERO	16 September 2020	Copy	Mongolian
2.	Reference Letter No. 3/4225 from MRPAM in response to Erdenes Methane's Letter No. 01/67 dated 7 September 2020	15 September 2020	Copy	Mongolian
3.	Request Letter No. 01/34 from Erdenes Methane addressed to MRPAM	12 May 2020	Copy	Mongolian
4.	Conclusion issued by MRPAM in relation to the transfer of the rights and obligations under the Production Sharing Agreement	11 June 2020	Copy	Mongolian
5.	Reference Letter No. 01/44 from Erdenes Methane addressed to MRPAM	26 June 2020	Copy	Mongolian
6.	Reference Letter No. 01/42 from Erdenes Methane addressed to MRPAM	8 June 2020	Copy	Mongolian
7.	Reference Letter No. 9/2620 from MRPAM addressed to Erdenes Methane	3 June 2020	Copy	Mongolian
8.	Reference Letter No. 01/39 from Erdenes Methane addressed to MRPAM	28 May 2020	Copy	Mongolian
9.	Reference Letter No. 01/37 from Erdenes Methane addressed to MRPAM	22 May 2020	Copy	Mongolian
10.	Reference Letter No. 01/19 from Erdenes Methane addressed to MRPAM	12 May 2020	Copy	Mongolian
2. Jade Gas Mongolia				
11.	Reference Letter No. 3025 from LERO together with copies of the documents from the Central Archive of SRO	17 August 2020	Original	Mongolian
12.	Reference Letter from the General Tax Authority	18 August 2020	Original	Mongolian
13.	Reference Letter No. 1744 from the Social Insurance Office of Sukhbaatar District	14 August 2020	Original	Mongolian
14.	Reference Letter No. 2/6869 from the Capital City First Instance Administrative Court	31 August 2020	Original	Mongolian
15.	Reference Letter No. 19336 from the Classified Archive of Courts at the Judicial General Council of Mongolia	17 August 2020	Original	Mongolian
16.	Reference Letter No. 4/1624 from the MIAC	14 August 2020	Original	Mongolian
17.	Reference Letter No. 0018872 from the Court Decision Enforcement Authority	14 August 2020	Original	Mongolian
3. Jade Methane				
18.	Reference Letter No. 02-01/3441 from the Capital City Inspection Office	24 August 2020	Original	Mongolian
19.	Reference Letter No. 3024 from LERO together with copies of the documents from the Central Archive of SRO	17 August 2020	Original	Mongolian
20.	Reference Letter from the General Tax Authority	18 August 2020	Original	Mongolian

No	Document	Date	Original/ Copy	Language
21.	Reference Letter No. 2/6867 from the Capital City First Instance Administrative Court	31 August 2020	Original	Mongolian
22.	Reference Letter No. 19334 from the Classified Archive of Courts at the Judicial General Council of Mongolia	17 August 2020	Original	Mongolian
23.	Reference Letter No. 4/1625 from the MIAC	14 August 2020	Original	Mongolian
24.	Reference Letter No. 0018873 from the Court Decision Enforcement Authority	14 August 2020	Original	Mongolian
25.	Reference Letter No. 1743 from the Social Insurance Office of Sukhbaatar District	14 August 2020	Original	Mongolian
4. Methane Gas Resource				
26.	Reference Letter No. 6/441 from the Inspection Authority of Umnugovi Province	2 September 2020	Original	Mongolian
27.	Reference Letter No. 224 from the Environment and Tourism Authority of Umnugovi Province	25 August 2020	Original	Mongolian
28.	Reference Letter No. 6/5953 from the Ministry of Environment and Tourism	28 August 2020	Original	Mongolian
29.	Reference Letter No. 3468 from LERO together with copies of the documents from the Central Archive of SRO	18 September 2020	Original	Mongolian
30.	Reference Letter No. 1745 from the Social Insurance Office of Sukhbaatar District	14 August 2020	Original	Mongolian
31.	Reference Letter No. 2/6868 from the Capital City First Instance Administrative Court	31 August 2020	Original	Mongolian
32.	Reference Letter No. 19335 from the Classified Archive of Courts at the Judicial General Council of Mongolia	17 August 2020	Original	Mongolian
33.	Reference Letter No. 4/1623 from the MIAC	14 August 2020	Original	Mongolian
34.	Reference Letter No. 0018871 from the Court Decision Enforcement Authority	14 August 2020	Original	Mongolian
35.	Reference Letter from the General Tax Authority	18 August 2020	Original	Mongolian
36.	Government Resolution No 143 approving the entry into the Production Sharing Agreement with Erdenes Methane	22 April 2020	Copy	Mongolian
37.	Government Resolution No. 150 approving the transfer of all of the rights and obligations under the Production Sharing Agreement from Erdenes Methane to Methane Gas Resource.	14 October 2020	Copy	Mongolian
38.	Reference Letter No. 03/758 from the Ministry	30 March 2021	Copy	Mongolian
5. Baruun Naran				
39.	Reference Letter No. 3471 from LERO together with copies of the documents from the Central Archive of SRO	18 September 2020	Original	Mongolian
40.	Reference Letter from the General Tax Authority	18 August 2020	Original	Mongolian

Schedule 4 – Definitions

Assignment Agreement means an assignment agreement between Erdenes Methane and Methane Gas Resource in relation to the payment of the Transfer Fee by Methane Gas Resource dated 14 December 2020.

AUD\$ means Australian Dollars, the lawful currency of Australia.

Baruun Naran means Baruun Naran Gas LLC (Registration Number 6476635), a limited liability company established under the laws of Mongolia.

BN Project means a project to prospect, explore, develop and extract CBM from Baruun Naran (MV-014493) and Tsaikhar Khudag (MV-017336) coal mining licence areas of Khangad Exploration located in Mongolia.

BN Project Investment Agreement means the investment and management agreement No. KH-19-018 between Jade Gas Mongolia and Khangad Exploration in respect of Baruun Naran dated 14 August 2019.

BN Shareholders Agreement means the shareholders agreement No. KH-19-017 between Jade Gas Mongolia and Khangad Exploration in relation to the BN Project dated 14 August 2019.

Breach Law means the *Law on Breach of Mongolia* (2015).

Business means the exploration and exploitation of CBM from the Mongolian Projects.

CBM means coal bed methane.

Company means High Grade Metals Ltd (ACN 062 879 583), an Australian public company limited by shares established under the laws of Australia.

Cooperation Agreement means a cooperation agreement between Erdenes TT and Erdenes Methane dated 25 June 2019.

Due Diligence Questionnaire means the due diligence questionnaire administered by MinterEllison to the Jade Group Companies and Erdenes Methane on or about 22 July 2020.

Encumbrance includes a mortgage, charge, lien, restriction against transfer, security, pledge, encumbrance or any other third party interest.

Erdenes Methane means Erdenes Methane LLC (Registration Number 6049516), a limited liability company established under the laws of Mongolia.

Erdenes Mongol means Erdenes Mongol LLC (Registration Number 5124913), a limited liability company established under the laws of Mongolia.

Erdenes TT means Erdenes Tavan Tolgoi JSC (Registration Number 5435528), a joint stock company established under the laws of Mongolia.

Exploration Licence means a special licence No. 628 dated 15 March 2021 issued by the Ministry to Methane Gas Resource for conducting exploration of CBM.

Exploration Work Plan and Budget for 2021 has the meaning given to it under paragraph 6.16 of this Report.

External Administrator means a provisional executor, executor, liquidation committee, provisional liquidator, liquidator or any other person (however described) holding or appointed to an analogous office or acting or purporting to act in an analogous capacity.

Government means the Government of Mongolia.

Government Approval has the meaning given to it under paragraph 6.11 of this Report.

Government Authority means any government or local (aimag or soum) authority and any ministry, department or agency of any government or quasi-governmental authority in Mongolia.

Insolvency Event means any one or more of the following events in respect of a person or a legal entity:

- (a) it is insolvent, or informs creditors generally that it is insolvent;
- (b) a claim has been submitted to the court to commence a bankruptcy case;
- (c) the LERO registers the termination of the company and it is removed from the State Register of Companies;
- (d) it is the subject of a Liquidation, or an order or an application is made for its Liquidation;
- (e) an effective resolution is passed or meeting summoned or convened to consider a resolution for its Liquidation;

- (f) an External Administrator is appointed to it or a step is taken to do so;
- (g) it has not satisfied the obligation to pay an amount equal to not less than 10% of its share capital at the time required by contract or by law;
- (h) a step is taken to cancel its registration; and
- (i) an analogous or equivalent event to that listed above occurs in any jurisdiction.

Jade Australia means Jade Gas Pty Ltd (ACN 631 515 225), an Australian proprietary company, limited by shares established under the laws of Australia.

Jade Gas Mongolia means Jade Gas Mongolia LLC (Registration Number 6432581), a foreign invested limited liability company established under the laws of Mongolia.

Jade Group Companies means the following Mongolian entities:

- (a) Jade Gas Mongolia;
- (b) Jade Methane;
- (c) Methane Gas Resource; and
- (d) Baruun Naran.

Jade Methane means Jade Methane LLC (Registration Number 6432522), a foreign invested limited liability company established under the laws of Mongolia.

Khangad Exploration means Khangad Exploration LLC (Registration Number 2887134), a limited liability company established under the laws of Mongolia.

LERO means the Legal Entities Registration Office of the General Authority for the State Registration of Mongolia.

Liquidation means a winding up, dissolution, liquidation, provisional liquidation, administration, bankruptcy or other proceeding for which an External Administrator is appointed, or an analogous or equivalent event or proceeding in any jurisdiction.

Litigation includes civil and administrative proceedings in any court of Mongolia as well as any proceedings in MIAC.

Management Enquiries has the meaning given in paragraph 4.1 of this Report.

Material Agreements means the agreements set out in Schedule 2 of this Report.

Methane Gas Resource means Methane Gas Resource LLC (Registration Number 6435254), a limited liability company established under the laws of Mongolia.

Methane Gas Shareholders Agreement means the shareholders agreement No. 02/2019 between Erdenes Methane and Jade Methane in relation to Methane Gas Resource dated 20 May 2019.

MIAC means the Mongolian International Arbitration Centre.

Minerals Law means the *Minerals Law of Mongolia* (2006).

Ministerial Order means the order No. A/47 of the Minister of Mining and Heavy Industry dated 15 March 2021 approving the issuance of the Exploration Licence to Methane Gas Resource.

Ministry means the Ministry of Mining and Heavy Industry and its predecessors and successors.

MinterEllison means MinterEllison LLP and ME MGL Advocates LLP.

MNT means Mongolian Togrogs, the lawful currency of Mongolia.

Mongolian Pledge Registry means the electronic pledge registration database created pursuant to the *Law of Mongolia on the Pledge of Movable Properties and Intangible Assets* (2015).

Mongolian Projects means the BN Project and the TTJV Project.

MRPAM means the Minerals Resources and Petroleum Authority of Mongolia.

MRPAM Conclusion has the meaning given to it under paragraph 6.10 of this Report.

Petroleum Law means the *Petroleum Law of Mongolia* (2014).

Petroleum Tenements means the contract areas covered under the Production Sharing Agreement.

Production Sharing Agreement means the production sharing agreement entered into between MRPAM and Erdenes Methane on 6 May 2020.

Proposed Transaction means the acquisition by HGML of the total issued share capital of Jade Australia, and consequently the acquisition of its relevant subsidiaries (including each of the Jade Group Companies).

Prospecting Agreement means the prospecting agreement entered into between MRPAM and Erdenes Methane on 24 February 2017.

Prospecting Work Report means a written document that is required to be filed with MRPAM and which, subject to approval by the Technical Committee, serves as a record of the prospecting works conducted on the relevant petroleum tenements.

Prospectus means the formal document that is required by and filed with the Australian Securities Exchange that provides details about an investment offering for sale to the public.

PSA means a production sharing agreement as contemplated under the Petroleum Law.

Public Searches has the meaning given to it under paragraph 4.1 of this Report.

Reclamation Fund Fee has the meaning given to it under paragraph 6.17 of this Report.

Report means this solicitors' report.

Resolution 295 means government resolution No. 295 on the '*Rules on Regulating Relations of Exploring and Exploiting Unconventional Oil*' dated 7 July 2015.

Revised CIT Law means the *Corporate Income Tax Law of Mongolia* (2019).

Scope has the meaning given to it under paragraph 1.8 of this Report.

SRO means the General Authority of the State Registration of Mongolia.

Technical Committee has the meaning given to it under paragraph 6.3 of this Report.

Tender Regulation means the Regulation on Tender for Contractor adopted by Resolution No. 202 of the Minister of Mining dated 12 September 2019.

Transfer Fee has the meaning given to it under paragraph 6.13 of this Report.

Transfer Request has the meaning given to it under paragraph 6.9 of this Report.

Tripartite Agreement means a tripartite agreement entered into between Erdenes Methane, Methane Gas Resource and MRPAM transferring all of the rights and obligations of Erdenes Methane under the Production Sharing Agreement to Methane Gas Resource dated on or around 11 December 2020.

TTJV Project means a project to prospect, explore, develop and extract CBM from the Tavan Tolgoi coal deposit.

TTJV Project Investment Agreement means the investment agreement No. 01/2019 between Erdenes Methane and Jade Methane in relation to the TTJV Project dated 20 May 2019.

US\$ means United States Dollars, the lawful currency of the United States of America.


ONLINE PROXY APPOINTMENT
www.advancedshare.com.au/investor-login

MOBILE DEVICE PROXY APPOINTMENT

Lodge your proxy by scanning the QR code below, and enter your registered postcode.

It is a fast, convenient and a secure way to lodge your vote.

ANNUAL GENERAL MEETING PROXY FORM

I/We being shareholder(s) of High Grade Metals Limited and entitled to attend and vote hereby:

APPOINT A PROXY

☐ The Chair of the Meeting

OR

☐



PLEASE NOTE: If you leave the section blank, the Chair of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) named, the Chair of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held at the office of **BDO, Level 7, 420 King William Street Adelaide on 30 June 2021 at 11.00am (ACST)** and at any adjournment or postponement of that Meeting.

Chair's voting intentions in relation to undirected proxies: The Chair intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances, the Chair may change his/her voting intentions on any Resolution. In the event this occurs, an ASX announcement will be made immediately disclosing the reasons for the change.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 2, 4, 9A to 9C, 10 and 11 (except where I/we have indicated a different voting intention below) even though these resolutions are connected directly or indirectly with the remuneration of a member(s) of key management personnel, which includes the Chair.

VOTING DIRECTIONS
Resolutions

	For	Against	Abstain*
1A APPROVAL OF THE JADE TRANSACTION – ASX LISTING RULE 11.1.2	☐	☐	☐
1B APPROVAL OF JADE TRANSACTION – ASX LISTING RULE 10.1	☐	☐	☐
2 APPROVAL FOR ACQUISITION OF A RELEVANT INTEREST - JADE VENDORS	☐	☐	☐
3 CONSOLIDATION OF SHARES	☐	☐	☐
4 APPROVAL FOR THE GIVING OF A FINANCIAL BENEFIT TO A RELATED PARTY	☐	☐	☐
5A APPOINTMENT OF DIRECTOR – JOSEPH PATRICK BURKE	☐	☐	☐
5B APPOINTMENT OF DIRECTOR – DANIEL WILLIAM EDDINGTON	☐	☐	☐
6 APPROVAL FOR TRANSACTION CAPITAL RAISING	☐	☐	☐
7 CHANGE OF COMPANY NAME AND CONSTITUTION AMENDMENT	☐	☐	☐
8A APPROVAL FOR ANTHONY HALL TO PARTICIPATE IN CAPITAL RAISING	☐	☐	☐
8B APPROVAL FOR BRADLEY DRABSCH TO PARTICIPATE IN CAPITAL RAISING	☐	☐	☐
8C APPROVAL FOR STEVEN FORMICA TO PARTICIPATE IN CAPITAL RAISING	☐	☐	☐
8D APPROVAL FOR ADRIEN WING TO PARTICIPATE IN CAPITAL RAISING	☐	☐	☐
8E APPROVAL FOR DENNIS MORTON TO PARTICIPATE IN CAPITAL RAISING	☐	☐	☐
9A APPROVAL TO ISSUE OPTIONS TO A DIRECTOR – BRADLEY JAMES DRABSCH	☐	☐	☐
9B APPROVAL TO ISSUE OPTIONS TO A DIRECTOR – STEVEN FORMICA	☐	☐	☐
9C APPROVAL TO ISSUE OPTIONS TO A DIRECTOR – DENNIS MORTON	☐	☐	☐
10 INCREASE OF NON-EXECUTIVE DIRECTOR REMUNERATION POOL	☐	☐	☐
11 NON-BINDING RESOLUTION TO ADOPT REMUNERATION REPORT	☐	☐	☐
12A RE-ELECTION OF MR ADRIEN WING AS A DIRECTOR	☐	☐	☐
12B ELECTION OF MR DENNIS MORTON AS A DIRECTOR	☐	☐	☐



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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address



Please tick here to agree to receive communications sent by the Company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chair as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each resolution of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given resolution, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on a resolution, your vote on that resolution will be invalid.

PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chair) or other member of the Company's key management personnel, or their closely related parties, as your proxy, you must specify how they should vote on Resolutions 2, 4, 9A to 9C, 10 and 11, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Resolutions 2, 4, 9A to 9C, 10 and 11.

PLEASE NOTE: If you appoint the Chair as your proxy (or if they are appointed by default) but do not direct them how to vote on a resolution (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that resolution), the Chair may vote as they see fit on that resolution.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

COMPLIANCE WITH LISTING RULE 14.11

In accordance with Listing Rule 14.11, if you hold shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the shares, you are required to ensure that the person(s) or entity/entities for which you hold the shares are not excluded from voting on resolutions where there is a voting exclusion. Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided.

By lodging your proxy votes, you confirm to the company you are in compliance with Listing Rule 14.11.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR PROXY FORM

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 11.00am (ACST) on 28 June 2021, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled Meeting.



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 6370 4203



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033