EAST
ENERGY
RESOURCES
LIMITED

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11:00am WST

DATE: Wednesday, 23 May 2018

PLACE: Bentleys, Level 3, London House, 216 St Georges Terrace, Perth WA

This Notice of Meeting and accompanying Independent Expert's Report (which considers the proposed transaction the subject of Resolution 3 to be fair and reasonable to non- associated shareholders) should be read in its entirety.

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+ 61 8) 6188 8181.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the shareholders of East Energy Resources Limited to which this Notice of Annual General Meeting relates will be held at Bentleys, Level 3, London House, 216 St Georges Terrace, Perth WA on Wednesday, 23 May 2018 at 11:00am WST.

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed and return it by the time and in accordance with the instructions set out on the Proxy Form. All Proxy Forms must be received no later than 11:00am WST on Monday, 21 May 2018.

Proxy Forms received later than this time will be invalid.

In accordance with section 249L of the Corporations Act, Members are advised that:

- each Member has a right to appoint a proxy;
- the proxy need not be a Member of the Company;
- a Member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise, if the Member appoints 2 proxies and the appointment does not specify the proportion or number of the Member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes;
- Members and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:
  - if proxy holders vote, they must cast all directed proxies as directed; and
  - any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Members and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution — the proxy must not vote on a show of hands;

- if the proxy is the chair of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair of the meeting - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of a company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
    - the proxy is not recorded as attending the meeting;
    - the proxy does not vote on the resolution,

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of East Energy Resources Limited (ABN 66 126 371 828) will be held at Bentleys, Level 3, London House, 216 St Georges Terrace, Perth WA on 11:00am WST on Wednesday, 23 May 2018. The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4pm WST on Monday, 21 May 2018.

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered at the Meeting.

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the financial report of the Company for the year ended 30 June 2017 and the reports by the Directors and auditors thereon.

2. RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

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

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report."

Note: The Corporations Act requires this Resolution to be put to a vote. The Resolution is advisory only and does not bind the Directors or the Company. A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting. Shareholders are encouraged to read the Explanatory Statement for further details on the consequences of voting on this Resolution.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

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

(a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

(b) the voter is the Chair and the appointment of the Chair as proxy:

- (i) does not specify the way the proxy is to vote on this Resolution; and
- (ii) 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, or if the Company is part of a consolidated entity, for the entity.

3. RESOLUTION 2 - RE-ELECTION OF DIRECTOR - MR REX LITTLEWOOD

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

"That Mr Rex Littlewood, who retires in accordance with the Constitution and the Listing Rules and, being eligible, offers himself for re-election, be re-elected as a director of the Company."

4. RESOLUTION 3 - APPROVAL OF ISSUE OF SHARES TO NOBLE GROUP LIMITED

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

"That for the purposes of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 7,834,796,925 Shares to Noble upon conversion of the principal and interest outstanding under the Facility Agreement, which will result in Noble's voting power in the Company increasing from 40.93% up to a maximum of 97.43%, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: In accordance with the Corporations Act and the Listing Rules, Noble and its associates are excluded from voting on this Resolution and the Company will disregard any vote cast on this Resolution by Noble and any of its associates, unless it is cast by:

(a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

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

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by the Independent Expert accompanying the Explanatory Statement as Annexure A. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 3. The Independent Expert has determined that the proposed transactions outlined in Resolution 3 are FAIR AND REASONABLE to Shareholders not associated with Noble.

5. RESOLUTION 4 - SPILL RESOLUTION (IF REQUIRED)

The following Resolution will only be put to the Meeting if at least 25% of the votes cast on Resolution 1 in this Notice of Meeting are AGAINST the adoption of the Remuneration Report. A vote “for" Resolution 4 is a vote for a spill meeting.

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

"That:

*(a) an extraordinary general meeting of the Company (**Spill Meeting**) be held within 90 days after the passing of this Resolution;*

(b) all of the Directors in office at the time when the Board resolution to make the Directors’ Report for the financial year ended 30 June 2017 was passed (other than the Managing Director), and who remain Directors at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and

(c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote of shareholders at the Spill Meeting."

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

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

(c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

(d) the voter is the Chair and the appointment of the Chair as proxy:

   (i) does not specify the way the proxy is to vote on this Resolution; and

   (ii) 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, or if the Company is part of a consolidated entity, for the entity.

DATED: 12 April 2018
BY ORDER OF THE BOARD

MR RANKO MATIC
DIRECTOR & COMPANY SECRETARY
EAST ENERGY RESOURCES LIMITED

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at Bentleys, Level 3, London House, 216 St Georges Terrace, Perth WA on Wednesday, 23 May 2018 at 11:00am WST.

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

Where the Chair is appointed as proxy for a Shareholder entitled to vote, the Chair will (where authorised) vote all undirected proxies in favour of all of the Resolutions to be considered at the Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

The financial report of the Company for the year ended 30 June 2017 and the reports by the Directors and auditors thereon will be presented for consideration.

Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the management of the Company.

The Chair will also give Shareholders a reasonable opportunity to ask the Auditor or the Auditor's representative questions relevant to:

(a) the conduct of the audit;

(b) the preparation and content of the independent audit report;

(c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and

(d) the independence of the Auditor in relation to the conduct of the audit.

The Chair will also allow a reasonable opportunity for the Auditor or their representative to answer any written questions submitted to the Auditor under section 250PA of the Corporations Act

2. RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

2.1 General

The Board is submitting its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding resolution as required under the Corporations Act.

The Remuneration Report forms part of, and is clearly identified in, the Directors' Report included in the Company's 2017 Annual Report. The Remuneration Report:

(a) explains the Board's policy for determining the nature and amount of remuneration of executive Directors and senior executives of the Company;

(b) explains the relationship between the Board's remuneration policy and the Company's performance;

(c) sets out remuneration details for each Director and members of the Key Management Personnel of the Company; and

(d) details and explains any performance conditions applicable to the remuneration of executive Directors and members of the Key Management Personnel of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting,

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

2.2 **Voting consequences**

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings. If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary general meeting (ie. spill meeting) within 90 days of the second annual general meeting.

The Corporations Act also provides that all of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved by the Company's board, other than the managing director of the company, will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting.

Following the spill meeting, those persons whose election or re-election as directors of the company is approved, will be the directors of the company.

2.3 **Previous voting results**

The Company's remuneration report for the financial year ended 30 June 2016, received a vote of more than 25% against its adoption at the Company's last annual general meeting held on 25 November 2016.

Accordingly, the Company received a 'first strike'. Since last year, the Company has sought to understand the concerns that led to the 'first strike' and have undertaken a review of the Company's remuneration framework. The Board takes Shareholder concerns about executive remuneration seriously and regularly reviews the Company's remuneration policy. There has been no increase in director salaries since 2007. The Directors substantially reduced fees in 2012. The Board remains confident that the remuneration policy and the level and structure if its executive remuneration are suitable for the Company and its Shareholders.

If at least 25% of the votes cast on this Resolution 1 are against adoption of the Remuneration Report, Resolution 4 will be put to Shareholders.

2.4 **Voting exclusions and recommendations**

Voting exclusions apply to this Resolution as specified in the Notice.

The Board considers that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company and the individual. Noting that each Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, the Board recommends that Shareholders vote in favour of Resolution 1.

3. RESOLUTION 2 - RE-ELECTION OF DIRECTOR - MR REX LITTLEWOOD

Pursuant to the Constitution, Mr Rex Littlewood will retire by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

Mr Littlewood was appointed to the Board on 20 July 2010. He has served as a non-executive director of the Company and is a nominee of Noble Group Ltd, a substantial shareholder of the Company.

Mr Littlewood, under his company, Australian Carbon Assets Pty Ltd, consults in most aspects of coal mine evaluation, coal technology and marketing and was formerly vice president of Noble Energy Ltd, a subsidiary of Noble Group Ltd. He was responsible for their Asian coal and coke platform, and for developing their Australian operations.

Mr Littlewood, 67, has more than 30 years experience in the international coal market, where he was involved in the development of mines as well as mining and export infrastructure. At Noble Energy Ltd he designed and implemented a fully integrated, computerised coal management system from mine to customer, capturing all data in a "paperless" process. Mr Littlewood holds a Bachelor of Science from the University of Newcastle. Over the past 3 years Mr Littlewood held a directorship with Blackwood Corporation Limited, before it was delisted due to an acquisition by Cockatoo Coal Ltd.

The Board (other than Mr Littlewood because of his interest) recommends that Shareholders vote in favour of Mr Littlewood's re-election.

4. RESOLUTION 3 - APPROVAL OF ISSUE OF SHARES TO NOBLE GROUP LIMITED

4.1 Background

On 10 May 2013, the Company (as borrower), Noble (as lender) and Idalia (as guarantor) entered into a facility agreement pursuant to which Noble agreed to make a loan facility available to the Company on the terms and conditions set out therein (**Facility Agreement**).

On 10 May 2013, the parties also entered into a general security deed between the Company and Idalia (as grantors) and Noble (as secured party).

The Facility Agreement provides for a total commitment of up to $7.5m (after repayment of other specified loans of the Company and Idalia) for a term of up to 5 years, with drawdowns on a staggered basis as follows:

(a) the aggregate amount of all funds advanced in the first year of the Facility Agreement is limited to $4m (of the $7.5m total commitment); and

(b) the aggregate amount of all funds advanced in each subsequent year is limited to $2m (of the $7.5m total commitment) unless otherwise agreed by Noble and the Company in writing.

The term of the Facility Agreement is 5 years commencing on the date of execution of the Facility Agreement. The Company has an option to extend this term for a period of 6 months which is exercisable by the issue of a notice to Noble prior to the repayment date.

Under the Facility Agreement, interest is payable by the Company at 6 monthly intervals (adjusted where necessary so that the last interest period ends on the repayment date specified under the Facility Agreement). The first interest period commences on the date of the Facility Agreement.

The interest rate applicable under the Facility Agreement is the 6 month bank bill swap rate plus a margin of 7% p.a. Interest is calculated on a daily basis and may be capitalised, on a 6 monthly basis, at the Company's request.

The Facility Agreement provides for a Conversion Period of 6 months from 10 May 2018 if the Company elects to extend the repayment date Noble may at any time during the Conversion Period convert all (or part) of the Advances and any amount of interest owing under the Facility Agreement to Shares, by giving a conversion notice (**Conversion Notice**) to the Company.

If Noble gives a Conversion Notice to the Company, then, subject to obtaining all necessary approvals under the Corporations Act and the Listing Rules the Company must issue to Noble the number of Shares determined in accordance with the following formula:

$$\mathbf{x} = \frac{P}{CP}$$

where,

x is the number of Shares to be issued;

P is the aggregate of all Advances and interest owing to be converted; and

CP is the Conversion Price.

Promptly after a Conversion Date and in any event within 5 business days, the Borrower must allot and issue to Noble the number of Shares (rounded to the nearest whole number) applicable to that Conversion Date.

On each Conversion Date, the amount of the Advances and any interest owing under the Facility Agreement to be converted into Shares on that Conversion Date is taken to have been paid in full.

On 24 November 2017, the Company announced that it had been in discussions with Noble to restructure the terms of the Facility Agreement. As part of the restructure, Noble agreed to provide an Advance of $500,000 to the Company under the Facility Agreement to pay certain costs and expenses of the Company. The Company received the Advance of $500,000 on 24 November 2017. The Company and Noble also agreed to amend the Facility Agreement so that the Conversion Period commences prior to 10 May 2018.

Following the exercise by Noble of its rights of conversion under the Facility Agreement, current directors Ranko Matic and Rex Littlewood will remain as directors of the Company. Current director Mark Basso-Brusa will resign from the Company and be replaced by Christopher Thoroughgood. Mr Thoroughgood joined the Noble Group in 2000 and is currently Executive Director - Hard Commodities for Australia and New Zealand.

Mr Thoroughgood has over 20 years' experience across commodities marketing, business development, project management and technical marketing. Mr Thoroughgood graduated from the University of Newcastle with a Bachelor of Science.

As at the date of the proposed issue of shares to Noble, being 9 May 2018, the total estimated dollar amount of the Advances and amount of interest owing under the Facility Agreement will be approximately $28,205,269.

4.2 General

Resolution 3 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, for the Company to issue up to 7,834,796,925 Shares to Noble upon conversion of the Advances and any interest owing under the Facility Agreement. The issue of 7,834,796,925 Shares to Noble will result in Noble's voting power in the Company increasing from 40.93% up to a maximum of 97.43%.

4.3 Assessment of the Noble Issue

Advantages

The Directors (other than Mr Rex Littlewood who has a material personal interest in the outcome of Resolution 3) are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 3:

(a) the conversion of the principal and interest outstanding under the Facility Agreement and issue of Shares to Noble, if approved by Shareholders, will mean the Company does not have to repay the whole of the principal and interest outstanding under the Facility Agreement on the repayment date. If Resolution 3 is not passed, the whole of the principal and interest outstanding under the Facility Agreement will be repayable on 10 May 2018 (or 10 November 2018 if the Company elects to extend the repayment date), unless Noble agrees otherwise, and the Company will be required to find an alternative funding source to be able to repay those monies;

(b) the issue of the Conversion Shares improves the Company’s balance sheet position as a result of issuing Shares to satisfy repayment obligations under the Facility Agreement in lieu of making cash repayments;

(c) the issue of Shares to Noble on conversion of the whole of the principal and interest outstanding under the Facility Agreement will complete the Company's obligations pursuant to the Facility Agreement and will not require renegotiation of its terms;

(d) should the Company not be able to issue the Shares to Noble in repayment of the principal and interest outstanding under the Facility Agreement and be unable to obtain an alternative source of funds to refinance that debt , the Company would need to take action regarding its resulting insolvency; and

(e) the Independent Expert has determined that the proposed transactions outlined in Resolution 3 are **FAIR AND REASONABLE** to Shareholders not associated with Noble.

Disadvantages

The Directors (other than Mr Rex Littlewood who has a material personal interest in the outcome of Resolution 3) are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 3:

(a) the issue of up to 7,834,796,925 Shares to Noble upon conversion of the principal and interest outstanding under the Facility Agreement will result in Noble's voting power in the Company increasing from 40.93% up to a maximum of 97.43%, thus reducing the voting power of non-associated Shareholders in aggregate from 59.07% to as low as 2.57%.

(b) existing Shareholders may have their current shareholdings diluted by up to 95.65%, by the issue of the Conversion Shares to Noble upon conversion;

(c) the liquidity of trading of Shares may be reduced further as Noble and its Associates will together hold approximately 97.43% of Shares in the Company on issue following completion of the Noble Issue; and

(d) the issue of the Conversion Shares to Noble will increase Noble’s level of influence over the Company. This may reduce the likelihood of a takeover bid for the Company being made, a potential result of which is a reduced control premium in the price of Shares. Noble’s increased shareholding in the Company may result in other major Shareholders being less likely to invest further equity in the Company, which could result in decreased liquidity of Shares.

4.4 Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared by the Independent Expert accompanying the Explanatory Statement as Annexure A.

The Independent Expert's Report provides an independent examination of the Noble Issue to enable non-associated Shareholders to assess the merits and to decide whether to approve the Noble Issue.

The Independent Expert has determined that the proposed transactions outlined in Resolution 3 are **FAIR AND REASONABLE** to Shareholders not associated with Noble.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

Reference is also made to the Technical Valuation Report prepared by Agricola Mining Consultants Pty Ltd (**Technical Expert**) which is included as part of Annexure A. On page 31 of the Technical Valuation Report the Technical Expert makes comment with further reference to Adani’s Carmichael Coal Project that ….“Agricola considers that the quality of the Blackall coal is similar, if not lower, with respect to high ash and calorific value and as a result would be in danger of failing the JORC test for reasonable prospects for eventual economic extraction”. The Board are of the view, and the Technical Expert has agreed, that it is the responsibility of the person who compiled the Mineral Resource reported in the Technical Valuation Report to satisfy himself that there is reasonable basis for eventual exploitation. The Board, Technical Expert and Competent Person are satisfied that this condition was met at the time the Mineral Resource Estimate was prepared. Events in the Galilee Basin have since progressed with the proposed start up of the Adani Mine. In the Technical Expert's opinion, the Technical Expert’s comments contained in the Technical Valuation Report do not negate the Mineral Resource Estimate nor require it to be re-determined.

4.5 Chapter 2E of the Corporations Act and Listing Rule 10.11

As outlined in paragraph 4.2 of this Explanatory Statement, the Company is seeking approval to issue up to 7,834,796,925 Shares to Noble upon conversion of the principal and interest outstanding under the Facility Agreement.

Section 208 of the Corporations Act states that a public company cannot give a financial benefit (including an issue of shares) to a related party of the company unless one of the exceptions set out in section 210 to 216 of the Corporations Act applies, or the holders of ordinary securities have approved the giving of the financial benefit to the related party in a general meeting.

According to section 228(1) of the Corporations Act, a related party of a public company includes an entity that controls a public company. According to section 50AA of the Corporations Act, an entity controls a second entity if the first entity has the capacity to determine the outcome of decisions about the second entity's financial and operating policies. The Board considers that Noble has the capacity to determine the outcome of decisions about the Company's financial and operating policies. Accordingly, the Board considers Noble to be a related party of the Company.

Due to the relationship between the Company and Noble, the issue of up to 7,834,796,925 Shares to Noble upon conversion of the principal and interest outstanding under the Facility Agreement constitutes the giving of a financial benefit to a related party under sections 228 and 229 of the Corporations Act. Accordingly, Shareholder approval is sought under section 208 of the Corporations Act to permit the issue of up to 7,834,796,925 Shares to Noble, on the terms set out in this Explanatory Statement.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies.

It is the view of the Board that the exceptions set out in sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of up to 7,834,796,925 Shares to Noble upon conversion of the principal and interest outstanding under the Facility Agreement pursuant to section 208 of the Corporations Act and Listing Rule 10.11.

4.6 Shareholder approval pursuant to Chapter 2E of the Corporations Act and Listing Rule 10.11

The following information is provided in accordance with section 219 of the Corporations Act and Listing Rule 10.13 to enable Shareholders to assess the merits of Resolution 3.

(a) The related party to whom Resolution 3 would permit the financial benefit to be given is Noble Group Limited, who is a related party of the Company for the reasons set out in paragraph 4.5 above. It is noted that a list of Associates of Noble is set out in Annexure B.

(b) The financial benefit being provided is the issue of up to 7,834,796,925 fully paid ordinary shares in the capital of the Company to Noble upon conversion of the principal and interest outstanding under the Facility Agreement, pursuant to the terms of the Facility Agreement. See paragraph 4.1 for further details.

(c) Within the Independent Expert Report, there is an independent valuation of the Conversion Shares which is specified in section 7.4 of Annexure A. In summary, the Independent Expert considers the fair value of the Conversion Shares (and the low, high and preferred values of the Conversion Shares) to be nil cents per Conversion Share on a control basis.

This can be compared to the issue price of each Conversion Share determined by the Independent Expert which is specified in section 6.5 of Annexure A. In summary, the Independent Expert considers the low value issue price of the Conversion Shares to be 0.36 cents, and the high value issue price of the Conversion Shares to be 0.45 cents. The Independent Expert also considers the excess of the issue price of each Conversion Share over the value of each Conversion Share to be 0.36 cents (low value) and 0.45 cents (high value) (see section 6.5 of Annexure A).

(d) The Conversion Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date.

(e) The Conversion Shares will be issued upon conversion of the principal and interest outstanding under the Facility Agreement pursuant to the terms of the Facility Agreement. The Conversion Shares will be issued by the Company for nil cash consideration, but to satisfy the repayment of principal and interest outstanding under the Facility Agreement. As summarised in paragraph 4.1, the number of Conversion Shares has been determined using a formula which utilises the Conversion Price. No funds will be raised from the issue of the Conversion Shares.

(f) The relevant interests of Noble and its Associates in Shares is outlined in paragraph 4.8 and their voting power after the Noble Issue is outlined in paragraph 4.8.

(g) If the Conversion Shares are issued, the shareholding of existing Shareholders would, based on the current issued capital of the Company and no other Shares being issued, be diluted by approximately 95.65%.

(h) As at the date of this Notice, the Company has 356,480,930 Shares on issue. The highest and lowest market sale price of the Shares during the 12 months immediately preceding the date of this Notice was $0.004 on 4 May 2017 and $0.01 on 11 September 2017. The closing market sale price of the Shares on the ASX on 21 March 2018 (the date before the lodgement date of this Notice with ASIC) was $0.004. Based on the fair market value of the post Conversion Shares determined by the Independent Expert (see section 7.8 of Annexure A) of 0.137 cents per post Conversion Share on a minority basis, the dollar value of the benefit to Noble is up to $10,733,672.

(i) The Conversion Shares are fully paid ordinary shares and will be issued on the same terms and conditions as the Company's existing Shares on issue.

(j) The Conversion Shares are being issued to satisfy the principal and interest outstanding under the Facility Agreement which would otherwise be repayable on the repayment date. The Board does not consider that there are any significant opportunity costs to the Company, taxation consequences or benefits foregone by issuing the Conversion Shares to Noble.

(k) Other than Mr Rex Littlewood (Noble's nominee on the Board), no Director has a material personal interest in the outcome of Resolution 3 other than as a result of their interest arising solely in their capacity as Shareholders. Mr Rex Littlewood has not participated in the Board's deliberations in relation to the Noble Issue pursuant to Resolution 3.

(l) The Directors (other than Mr Rex Littlewood who has a material personal interest in the outcome of Resolution 3) recommend that Shareholders vote in favour of Resolution 3 as they consider the issue of the Conversion Shares in satisfaction of the principal and interest outstanding under the Facility Agreement to be in the best interests of Shareholders for the following reasons:

(A) after assessment of the advantages and disadvantages referred to in paragraph 4.3, the Directors (other than Mr Rex Littlewood) are of the view that the advantages outweigh the disadvantages; and

(B) the Independent Expert has determined that the proposed transactions outlined in Resolution 3 are **FAIR AND REASONABLE** to Shareholders not associated with Noble.

If Resolution 3 is not approved by Shareholders, the Company will continue to work on finding a solution to allow the Company to repay and extinguish the principal and interest outstanding under the Facility Agreement, and failing that will need to consider its solvency when the facility, becomes payable on 10 May 2018 if no other repayment source has been arranged.

Other than as set out in the Explanatory Statement, there is no further information which the Shareholders would reasonably require in order to decide whether or not it is in the Company's best interests to pass Resolution 3.

A voting exclusion statement in respect of Resolution 3 is set out in the Notice of Meeting.

Approval pursuant to Listing Rule 7.1 is not required for the issue of the Conversion Shares pursuant to Resolution 3 as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of the Conversion Shares to Noble will not diminish the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

4.7 Item 7 of Section 611 of the Corporations Act

Resolution 3 also seeks Shareholder approval for the issue of up to 7,834,796,925 Shares to Noble upon conversion of the principal and interest outstanding under the Facility Agreement for the purposes of item 7 of section 611 of the Corporations Act.

Sections 606(1) of the Corporations Act provides that a person must not acquire a "relevant interest" in issued voting shares in a company if:

(a) the company is a listed company;

(b) the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and

(c) because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

Associate

Subject to specified exclusions, a person (**second person**) will be an "associate" (**Associate**) of the other person (**first person**) if:

(a) the first person is a body corporate and the second person is:

- (i) a body corporate the first person controls;
- (ii) a body corporate that controls the first person; or
- (iii) a body corporate that is controlled by an entity that controls the first person; or

(b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs; or

(d) the first person is a body corporate and the second person is:

- (i) a director or secretary of the body; or
- (ii) a Related Body Corporate; or
- (iii) a director or secretary of a Related Body Corporate.

An entity controls another entity if it has the capacity to determine the outcome of decisions about that other entity's financial and operating policies.

Relevant interest

Pursuant to section 608(1) of the Corporations Act, a person has a "relevant interest" in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Pursuant to section 608(3) of the Corporations Act, a person is deemed to have a "relevant interest" in securities that a company has if their voting power in the company is above 20% or they control the company.

The voting power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's Associates have a relevant interest.

As at the date of this Notice, Maylion is the registered holder of 145,913,453 Shares and so has a relevant interest under section 608(1)(a) of the Corporations Act in respect of those Shares.

Noble is considered to be an Associate of Maylion and has a relevant interest in the securities of Maylion by virtue of Maylion being a wholly owned subsidiary of Noble. As Maylion is a wholly owned subsidiary of Noble, Noble and its Subsidiaries will also be Associates of Maylion for the purposes of Division 2 of Chapter 1 and section 610 of the Corporations Act. A list of Associates of Noble is set out at Annexure B.

There are various exceptions to the prohibition in section 606 of the Corporations Act. Section 611 of the Corporations Act contains a table setting out circumstances in which acquisitions of relevant interests are exempt from the prohibition. Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) if an acquisition is approved previously by a resolution passed by shareholders at a general meeting of the Company. The parties involved in the acquisition and their Associates are not able to cast a vote on the resolution.

The issue of up to 7,834,796,925 Shares to Noble upon conversion of the principal and interest outstanding under the Facility Agreement (**Noble Issue**) will result in Noble increasing its voting power in the Company from 40.93% up to a maximum of 97.43% (including Maylion's interest outlined above).

Accordingly, Shareholder approval for the issue of up to 7,834,796,925 Shares to Noble upon conversion of the principal and interest outstanding under the Facility Agreement is required under item 7 of section 611 of the Corporations Act.

4.8 Specific information required by item 7 of section 611 of the Corporations Act & ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under ASIC Regulatory Guide 74 and the Corporations Act in respect of obtaining approval pursuant to item 7 of section 611 of the Corporations Act.

Shareholders are also referred to the Independent Expert's Report set out in Annexure A.

(a) An outline of the Noble Issue and explanation of the reasons for the Noble Issue is discussed above in paragraph 4.1 above. Details of all relevant agreements between the Company and Noble (or any of its Associates) are set in paragraph 4.1 above. As set out in paragraph 4.6, the Conversion Shares will be issued no later than 1 month 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) and it is intended that allotment will occur on the same date.

(b) The identity of the persons who will hold a relevant interest in the Shares to be issued:

Noble will hold a relevant interest in the Shares to be issued. Noble will be issued up to 7,834,796,925 Shares under the Noble Issue.

As noted in paragraph 4.7, as at the date of this Notice, Maylion, a wholly owned Subsidiary to Noble, is the registered holder of 145,913,453 Shares and so has a relevant interest in respect of those Shares. Maylion's relevant interest will not change as a result of the Noble Issue.

Noble is considered to be an Associate of Maylion and has a relevant interest in the securities of Maylion by virtue of Maylion being a wholly owned subsidiary of Noble. As Maylion is a wholly owned subsidiary of Noble, Noble and its Subsidiaries will also be Associates of Maylion for the purposes of Division 2 of Chapter 1 and section 610 of the Corporations Act. A list of Associates of Noble is set out at Annexure B.

(c) Full particulars (including the number and percentage) of the Shares to which Noble is or will be entitled immediately before and after the Noble Issue and the maximum extent of the increase in Noble's voting power in the Company (including its Associates) as a result of the Noble Issue:

Event	Noble	Noble's Associates
The date of this Notice (Total Shares = 145,913,453)	Shares held – 0 Voting Power – 0%	Shares held – 145,913,453 Voting Power – 40.93%
Completion of the Noble Issue (Total Shares = 7,980,710,378)	Shares held – 7,834,796,925 Voting Power – 95.65%	Shares held – 145,913,453 Voting Power – 1.78%

Accordingly, at the completion of the Noble Issue, Noble and its Associates will hold 7,980,710,378 Shares, which equates to total voting power in the Company of 97.43%.

Note: The table above assumes that no further Shares, other than the Conversion Shares pursuant to the Facility Agreement, are issued.

(d) The identity, associations and qualifications of any person who it is intended will become a Director if Shareholders approve the Noble Issue:

Following the exercise by Noble of its rights of conversion under the Facility Agreement, current directors Ranko Matic and Rex Littlewood will remain as directors of the Company. Current director Mark Basso-Brusa will resign from the Company and be replaced by Christopher Thoroughgood. Mr Thoroughgood joined the Noble Group in 2000 and is currently Executive Director - Hard Commodities for Australia and New Zealand. Mr Thoroughgood has over 20 years' experience across commodities marketing, business development, project management and technical marketing. Mr Thoroughgood graduated from the University of Newcastle with a Bachelor of Science

(e) The interest of any Director in the Noble Issue or any relevant agreement:

None of the Directors have an interest in the Noble Issue or any relevant agreement.

(f) Noble and Maylion have each informed the Company that their intentions mentioned in this section regarding the future of the Company if Shareholders approve the Noble Issue are based on the facts and information regarding the Company, its business and the general business environment which are known to each of Noble and Maylion as at the date of this Notice, which is limited to publicly available information. Any future decisions regarding these matters will only be made based on all material information and circumstances at the relevant time. Accordingly, the statements set out below are statements of current intention only which, if circumstances change or new information becomes available in the future, could change accordingly.

Other than as disclosed elsewhere in this Explanatory Statement, each of Noble and Maylion:

(i) has no current intention of making any significant changes to the existing business of the Company;

(ii) has no current intention to inject further capital into the Company;

(iii) has no current intention of making changes regarding the future employment of the present employees of the Company;

(iv) does not currently intend for any assets to be transferred between the Company and it or any person associated with it;

(v) has no current intention to otherwise redeploy the fixed assets of the Company;

(vi) has no current intention to significantly change the existing financial or dividend policies of the Company;

(vii) has no current intention to appoint any of its nominees to the Board; and

(viii) has no current intention to proceed to compulsorily acquire the outstanding securities of the Company, notwithstanding that it may be entitled to do so upon the issue of the Conversion Shares to Noble.

(g) Please refer to section 4.6 for the recommendations of the Directors (other than Mr Rex Littlewood who has a material personal interest in the outcome of Resolution 3 in respect of Resolution 3.

(h) Further details of the Noble Issue are set out throughout this Explanatory Statement. Shareholders are also referred to the Independent Expert's Report set out in Annexure A, which provides an analysis of the Noble Issue.

5. RESOLUTION 4 - SPILL RESOLUTION (IF REQUIRED)

5.1 Background

Resolution 4 will only be put to the Meeting if at least 25% of the votes cast on Resolution 1 are AGAINST the adoption of the Remuneration Report.

As set out above in the Explanatory Statement relating to Resolution 1, the Directors' Report for the year ended 30 June 2017 contains a remuneration report which sets out the policy for the remuneration of the Directors and executives of the Company. In accordance with section 250R(2) of the Corporations Act, the Company is required to put the Remuneration Report to its Shareholders for adoption.

The Company's remuneration report for the financial year ended 30 June 2016, received a vote of more than 25% against its adoption at the Company's last annual general meeting held on 25 November 2016.

If at least 25% of the votes cast on Resolution 1 are against adoption of the Remuneration Report, Resolution 4 will be put to Shareholders.

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene a Spill Meeting within 90 days of the Annual General Meeting. All of the Directors who were in office when the Directors' Report was approved by the Board, other than the Managing Director (the **Relevant Directors**), will need to stand for re-election at the Spill Meeting if they wish to continue as Directors. Following the Spill Meeting, those persons whose election or re-election as Directors is approved will be the Directors of the Company.

5.2 Voting exclusions and recommendations

Voting exclusions apply to this Resolution as specified in the Notice.

The Directors unanimously recommend that shareholders vote against Resolution 4, if it is put to the Meeting.

Noting that each Relevant Director would have a personal interest in any such resolution, and that each of them (and their Closely Related parties) would be excluded from voting on the resolution, the Board considers that a Spill Meeting would be extremely disruptive to the Company and that it would be inappropriate to remove all of the Relevant Directors in the circumstances. The Board also notes that Shareholders can remove a Director by a majority Shareholder vote at any general meeting and for any reason.

6. ENQUIRIES

Shareholders should contact the Company Secretary on (+ 61 8) 6188 8181 if they have any queries in respect of the matters set out in this Notice.

GLOSSARY

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Advance any loan under the Facility Agreement, or where the context requires, the principal of the loans outstanding.

Annexure means an Annexure to the Notice.

Annual General Meeting or **Meeting** the annual general meeting of Shareholders or any meeting adjourned thereof, convened by the Notice.

Annual Report the Company's annual report including the Directors' Report and reports of the auditor and the financial statements of the Company for the year ended 30 June 2017, which can be downloaded from the Company's website at www.eastenergy.com.au.

Associate has the meaning given to that term in paragraph 4.7 of the Notice.

ASX ASX Limited, trading as the Australian Securities Exchange.

Auditor the auditor of the Company.

Board board of directors of the Company.

Chair the chair of the Meeting.

Closely Related Party of a member of Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company East Energy Resources Limited ABN 66 126 371 828.

Constitution the Company's constitution.

Conversion Date the later of:

(a) the date of receipt by the Company of a Conversion Notice; and

(b) the date the Company obtains all necessary approvals under the Corporations Act and the Listing Rules in relation to the proposed conversion of any Advances and interest owing under the Facility Agreement as specified in a Conversion Notice.

Conversion Notice has the meaning given to that term in paragraph 4.1 of the Notice.

Conversion Period the period of six months commencing on 10 May 2018, where an Extension Notice has been issued by the Company under the terms of the Facility Agreement.

Conversion Price	means a price equal to 95% of the 90 day volume weighted average price of the Shares (calculated in accordance with the terms of the Facility Agreement) as at the repayment date under the Facility Agreement.
Conversion Shares	the maximum number of Shares the Company may issue to Noble upon conversion of the principal and interest outstanding under the Facility Agreement, being 7,834,796,925 Shares.
Corporations Act	*Corporations Act 2001* (Cth).
Director	a director of the Company.
Directors' Report	the directors' report section of the Annual Report.
Explanatory Statement	the explanatory statement which accompanies and forms part of the Notice of Annual General Meeting.
Extension Notice	a written notice issued by the Company to Noble under the terms of the Facility Agreement at any time prior to the date falling 15 business days before the repayment date under the Facility Agreement, notifying Noble that the Company has elected to exercise its option to extend the repayment date under the Facility Agreement by a period of 6 months.
Facility Agreement	has the meaning given to that term in paragraph 4.1 of the Notice.
Idalia	Idalia Coal Pty Ltd (ACN 148 075 441).
Independent Expert	Stantons International Securities Pty Ltd (ACN 128 908 289) trading as Stantons International Securities.
Independent Expert's Report	means the independent expert's report prepared by the Independent Expert annexed to this Notice as Annexure A.
Key Management Personnel	has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise), or if the Company is part of a consolidated entity, of an entity within the consolidated group.
Listing Rules	the listing rules of ASX.
Maylion	Maylion Pty Limited (ACN 148 876 331).
Noble	Noble Group Limited of 21F China Evergrande Centre, 38 Gloucester Road, Hong Kong, S.A.R.
Noble Issue	has the meaning given to that term in paragraph 4.7 of the Notice.
Notice or **Notice of Meeting** or **Notice of Annual General Meeting**	this notice of annual general meeting, including the Explanatory Statement.
Proxy Form	the proxy form accompanying the Notice.
Related Body Corporate	has the meaning given in section 9 of the Corporations Act.
Relevant Directors	has the meaning given to that term in paragraph 5.1 of the Notice.
Remuneration Report	the remuneration report set out in the Directors' Report.
Resolutions	the resolutions set out in the Notice, or any one of them, as the context requires.

Share	a fully paid ordinary share in the capital of the Company.
Shareholder or **Member**	a registered holder of a Share.
Spill Meeting	has the meaning given to that term on page 5 of the Notice.
Spill Resolution	has the meaning given to that term in paragraph 0 of the Notice.
Subsidiary	means a subsidiary within the meaning of the Corporations Act.
Technical Expert	has the meaning given to that term in paragraph 4.4 of the Notice.
WST	Western Standard Time, being the time in Perth, Western Australia.

ANNEXURE A - INDEPENDENT EXPERT'S REPORT

Stantons International Securities

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19 March 2018

The Directors
East Energy Resources Limited
Level 3
216 St Georges Terrace
PERTH WA 6000

The Independent Expert has concluded that the transaction related to the Acquisition, the subject of Resolution 3 outlined in this Notice of General Meeting, is fair and reasonable to the Shareholders of the Company (not associated with Noble) as at the date of this report.

Dear Sirs

Re: EAST ENERGY RESOURCES LIMITED (ACN 126 371 828) ("EER" OR "THE COMPANY") ON THE PROPOSAL TO ALLOW THE INTERESTS OF NOBLE GROUP LIMITED ("NOBLE") TO CONVERT DEBT (INCLUDING CAPITALISED INTEREST) OWING TO THE NOBLE GROUP TO BE CONVERTED TO SHARE EQUITY IN EER. SHAREHOLDERS MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA")

1. Introduction

1.1 We have, inter-alia been requested by the Directors of EER to prepare an Independent Expert's Report to determine the fairness and reasonableness as noted in Resolution 3 relating to the proposal whereby EER will allow Noble to convert Debt (including capitalised interest) owing to the Noble Group to shares in EER at the 90-day Volume Weighted Average Share Price ("VWAP") of shares in EER trading on the Australian Securities Exchange immediately before conversion of the debt owed by EER to Noble as noted below.

As at 31 December 2017, the Principal Debt totalled $27,022,808 and the capitalised interest is $333,897 (collectively, the Debt). No "cut-off date" has been selected by Noble and therefore the amount of the Debt that may be converted is unknown. However, it is planned that 9 May 2018 may be used, subject to shareholders approving the conversion of Debt in April 2018.

Also, all interest payable after 31 December 2017 is capitalised and based on an interest rate of Bank Bill Swap Rate ("BBSR") plus a 7% margin and thus the interest to be capitalised after 31 December 2017 is not able to be reliably estimated. Based on a range of mid-point BBSR over the past six months the actual interest rate that may be charged by Noble could lie in the range of 8.85% to 8.915%. The Debt at the estimated date of conversion may approximate $28,205,268.93 (as at 9 May 2018).

In addition, as the potential conversion price is also based on a 90 Day VWAP before conversion, the actual conversion price cannot be accurately calculated. The shares were suspended from trading between 29 September 2017 and 14 December 2017. Based on a range of share prices post 25 January 2018 (there were no trades between 15 December 2017 and 25 January 2018) and allowing for a 10% discount, the conversion price may fall in the range of 0.36 cents and 0.45 cents (but could also be in the range of 0.4 cents to 0.5 cents).

Our conclusion on fairness assumes the above Debt amount and the above range of Debt conversion prices.

1.2 On 10 May 2013, EER acquired 100% of the issued capital of Idalia Coal from Camvill Pty Ltd ("Camvill") a wholly owned subsidiary of Noble and Majicyl Pty Ltd (as trustee of the Basso Investment Trust) ("Majicyl"), a company associated with the Basso-Brusa family ('the Acquisition"). Idalia Coal was owned 50.1% by Camvill (effectively Noble) and 49.9% owned by Majicyl. Idalia Coal, a company incorporated in Australia, holds various interests in coal exploration licences and tenements ("Mineral Assets") in Western Queensland. Noble, via its 100% ownership of Onglory Pty Ltd already owned 50,707,609 shares in EER representing a then approximate 30.46% shareholding interest in EER. Noble has one nominee director on the Board of EER being Mr Rex Littlewood. Noble is one of the worlds' largest commodity traders. It is based in Hong Kong and is listed on the Singapore Stock Exchange.

Majicyl already owns 163,526,982 shares in EER, representing an approximate 45.87 shareholding interest in EER. Majicyl is associated with the EER managing director, Mr Mark Basso- Brusa.

As at 31 December 2017, Maylion Pty Ltd, a company controlled by Noble owns 145,913,453 shares in EER that represents an approximate 40.93% shareholding interest in EER.

1.3 Pursuant to the Binding Heads of Agreement ("HOA") between EER and the Vendors released to the market on 23 January 2013, the consideration payable by EER was to be the equivalent of $40,000,000 via the issue of 200,000,000 fully paid ordinary shares in the capital of EER at a deemed 20 cents per share ("Consideration Shares"). The Consideration was, however be adjusted, (increased or decreased) based on the formula of $40,000,000 plus ($9,000,000 plus Idalia Coal's cash balances and GST receivable less accounts payable and less outstanding Debt balances (Debt owing by Idalia to Noble Less Debt owing by EER to Idalia)) on the business day immediately preceding the close of the Acquisition. Thus, the final number of Consideration Shares issued was 190,031,625 of which 94,825,781 were issued to Majicyl and 95,205,844 to a Noble nominee.

1.4 As part of the 2013 proposals with the Vendors of Idalia, Noble agreed to provide EER with a Debt Refinancing Arrangement to be used by EER to repay the debt that EER owed to Idalia Coal under the facility agreement between EER and Idalia Coal dated 24 September 2012 ("EER Facility") in full (a facility to draw down up to $5,500,000) and Idalia Coal had security over the assets and undertakings of the EER Group), and for EER to provide additional funds to Idalia Coal to fully repay the Idalia Coal Loan ("Idalia Coal Loan") to the Noble Group (together with the Debt Refinancing). The final amount refinanced was $12,200,773. Post the repayment of the EER Facility and the Idalia Coal Loan, EER had a further $7,500,000 available for draw-down and working capital purposes under the Debt Refinancing Facility arrangement. The terms of the original Debt Refinancing arrangement were for a period of 5 years (subject to early repayment provisions relating to the commercialisation of the tenements or a change of control) with an interest rate of Bank Bill Swap Rate plus a 7% margin and has been secured with security to be granted over the assets of both EER and Idalia Coal. EER also provided a guarantee for Idalia Coal's performance and obligations under the debt Refinancing Arrangement.

1.5 To 31 December 2017, after drawing down further monies from the Noble Group, EER owes the Noble Group the principal sum of $27,022,808 and accrued capitalised interest of $333,897. The Debt as at 31 December 2017 thus is $27,356,705 but by the time the Debt is proposed to be converted to share equity in EER, the Debt may approximate $28,205,269 (rounded) (refer above).

Based on the conversion price of between 0.36 cents and 0.45 cents per share, the Noble Group could be issued between 6,267,837,622 shares and 7,834,796,925 shares ("Conversion Shares") and the Noble Group's shareholding interest in EER could increase from approximately 40.93% to between approximately 96.82% (6,413,575,075 shares in EER) and 97.43% (7,980,710,378 shares in EER. The number of shares on issue in EER after the issue of Conversion Shares may fall in the range of 6,624,318,522 to 8,191,277,855.

1.6 Under Section 606 of The Corporations Act ("TCA"), a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. Furthermore, a shareholder who owns more than 20% of the issued capital of a public listed company cannot acquire more than a further 3% of the capital of the public company every six months unless prior shareholder approval is obtained. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

As stated above, the Noble Group's shareholding interest in EER may increase to be between 96.82% and 97.43% (up from an approximate 40.93% as at 31 December 2017).

1.7 Therefore a notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) must be accompanied by an Independent Expert's Report stating whether the issue of ordinary shares (the Conversion Shares) to the Noble Group is fair and reasonable to the shareholders of EER not associated with the Noble Group.

To assist shareholders in making a decision on the proposals, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the issue of Conversion Shares to the Noble Group is fair and reasonable to the non-associated shareholders of EER (not associated with the Noble Group).

1.8 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business of EER
- Future direction of EER
- Basis of valuation of EER shares
- Premium for Control
- Conclusion as to fairness
- Reasonableness of the offer
- Conclusion as to reasonableness
- Sources of information
- Appendices A and B and our Financial Services Guide

1.9 In determining the fairness and reasonableness of the issue of Conversion Shares to the Noble Group, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being" fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the proposed issue of Conversion Shares is not a takeover offer, we have considered the general principals noted above to determine our opinions on fairness and reasonableness.

1.10 **In our opinion, taking into account the factors noted in this report, the proposals as outlined in paragraph 1.1 and Resolution 3 may, on balance, taking into account the factors referred to in 9 below and elsewhere in this report, be considered to be <u>fair and reasonable</u> to the shareholders of EER (not associated with the Noble Group as at the date of this report.**

1.11 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the 19 February 2018 Valuation Report on the Mineral Assets owned by EER prepared by Agricola, a copy of which is attached as Appendix B to this report.

Shareholders should be aware that in the absence of an equity raising sufficient to repay the Debt Refinancing Arrangement and any unpaid fees and interest, the risk of losing the EER Group Coal projects is enhanced. Each shareholder will need to form its own opinion on whether to vote in favour of Resolution 3. Each shareholder needs to examine the share price of EER, and market conditions at the time of exercise of vote to ascertain the impact, if any, on Resolution 3.

2. **Implications of the Proposals**

2.1 As at 31 December 2017 (and 16 March 2018) there were 356,480,930 fully paid ordinary fully paid shares on issue in EER. The top 20 shareholders list as at 17 November 2017 discloses the following:

Shareholder	No. of fully paid shares	% of issued fully paid shares
Majicyl (Basso- Brusa Family)	163,526,982	45.87
Maylion Pty Ltd (Noble)	145,913,453	40.93
Altius Investment Holdings (Pty) Ltd	2,897,892	0.81
Benison Holdings Pty Ltd	2,225,994	0.62
	314,564,321	88.23

The top 20 shareholders as per the top 20 shareholders list at 17 November 2017 owned approximately 92.24% of the ordinary issued capital of the Company. The combined shareholding of the Noble Group and the Basso- Brusa Family is approximately 86.80%.

2.2 If the Acquisition is completed, the fully paid shareholding of the Noble Group (via Maylion Pty Ltd) could increase from approximately 40.93% to between approximately 96.82% and 97.43%, whilst the fully paid shareholding of Majicyl (associated with the Basso - Brusa Family) could decrease from approximately 45.87% to between approximately 2.00% and 2.47%. There would be between 6,624,318,552 to 8,191,277,855 ordinary shares on issue in EER post the Conversion of Debt to share equity in EER. It is noted that the cash position of EER is quite low and that a new share equity raising may need to take place in 2018 or further reliance made on the support of Noble as is contemplated via the Debt Refinancing Facility.

Based on the estimated Debt outstanding as date of any conversion (date unknown but within three months of shareholder approval) and using a range of conversion prices as noted above, the number of shares that could be issued may fall in the range of:

	Conversion Price	
	0.36 cents	**0.45 cents**
Debt Amount $ (Rounded)		
28,205,269	**7,834,796,925**	**6,267,837,622**

The estimated Debt amounts above assume conversion dates of 9 May 2018.

The total number of shares on issue thus may fall in the range of:

	Conversion Price	
	0.36 cents	**0.45 cents**
Debt Amount $ (Rounded)		
28,205,269	**8,191,277,855**	**6,624,381,552**

The number of shares that may be held by the Noble Group Post-Conversion may fall in the range of:

	Conversion Price	
	0.36 cents	**0.45 cents**
Debt Amount $ (Rounded)		
28,205,269	**7,980,710,378**	**6,413,575,075**

The percentage interests of the Noble Group in the expanded share capital of EER (post - Conversion) prior to any other share issues could lie in the range of:

	Conversion Price	
	0.36 cents	**0.45 cents**
Debt Amount $ (rounded)		
28,205,269	**97.43**	**96.82**

The actual Debt amount to calculate the shares to be issued and the number of shares on issue post conversion was $28,205,268.59.

2.3 The current Board of Directors is expected to change in the near future as a result of the Conversion. As at 31 December 2017, the Board comprised of Mark Basso-Brusa (Managing Director and associated with the Basso-Brusa Family), Rex Littlewood (non-executive and associated with the Noble Group) and Ranko Matic (non-executive independent director). The Company Secretary is Ranko Matic. Following completion of the Conversion, the Noble Group plans to appoint one new Director to the Board of EER and Mr Basso-Brusa plans to resign as a Director of EER.

2.4 EER will become a subsidiary of Noble and all other shareholders may only own between approximately 2.57% and 3.18% of the expanded issued capital of EER, post Conversion.

2.5 The Life of Mine Agreement between Idalia and Noble International will continue in existence. The Royalty Deeds between Idalia, Noble (via its subsidiary, Camvill) and Majicyl will continue without change.

2.6 All Debt due by the EER Group to Noble will decrease to $nil after the issue of all Conversion Shares to the Noble Group.

3. **Corporate History and Nature of Businesses**

EER

3.1 Principal Activities and Significant Assets

EER is an ASX listed mineral exploration and evaluation company having achieved an ASX listing on 19 December 2007. The primary mineral commodity comprises coal. Its most significant mineral interest is as follows:

- The Blackall Coal Project in Central Western Queensland (in the Eromanga Basin), Australia covered by EPC 1149 (approximately 900 square kilometres) granted by the Queensland Department of Mines and Energy on 22 April 2008. The Company has reported a JORC Resource totalling 1.741 Mt (metric tonnes) after completion of the 2011/12 drilling. A target has been set to increase the JORC Resource to 2.0 Mt to 2.5Mt after further drilling. In addition, there are JORC 2012 Inferred Resources on EPC 1398 (200 Mt) and EPC 1399 (1.504Mt). Application has been made for a Mineral Development Licence ("MDL") over the Blackwall Coal Resource.
- Idalia Coal), a subsidiary of EER) holds various interests in coal exploration licences and tenements in Western Queensland.

3.3 We refer to the Agricola Valuation Report by Agricola on the EER Group's mineral assets for more detailed information on the mineral assets.

3.4 In addition, as noted in paragraph 5.4.1, we disclose the audit reviewed statement of financial position of the EER Group as at 31 December 2017 but after certain estimated post balance date events.

4. **Future Directions of EER**

4.1 We have been advised by the directors and management of EER that:

- There are no proposals currently contemplated either whereby EER will acquire any properties or assets from the Noble Group (however EER will issue ordinary fully paid shares to the Noble Group as outlined above in relation to the Conversion) or where EER will transfer any of its property or assets to the Noble Group;
- The composition of the Board is expected to change in the short term as noted above;
- The Company may raise further capital and/or loan funds in 2018 if the needs arise and subject to market conditions;
- No dividend policy has been set; and
- The Company will endeavour to enhance the value of its interests in the mining assets.

5. **Basis of Valuation of EER Shares**

5.1 Shares

5.1.1 In considering the proposal to issue Conversion Shares to eliminate all Debt due to the Noble Group, we have sought to determine if the conversion price payable by EER to the Noble Group is fair and reasonable to the existing non-associated shareholders of EER.

5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the ordinary Conversion Shares being issued to the Noble Group is greater than the implicit value of the ordinary shares in EER currently on issue. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on EER shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of an EER share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of EER shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to EER's current operations, a lack of a reliable long-term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report. EER has audit reviewed losses of approximately $73,491,000 as at 31 December 2017 (before adjustments as noted below). There is however, the intention to commercialise the Blackall Coal Project in the next few years but no definitive Bankable Feasibility Study ("BFS") has been completed. It may be expected that on completion of the BFS and after the Conversion, the share price of an EER share may be higher than share prices as traded on ASX before the shares were suspended from trading on 29 September 2017 (see paragraph 5.5.1 below).

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for EER could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of EER have formed the view that there are unlikely to be any takeover bids made for EER in the immediate future. However, if the agreement to issue the Conversion Shares is completed, the Noble Group could control approximately between 96.82% and 97.43% of the expanded ordinary fully paid issued capital of EER. It maybe that at a later stage, the Noble Group may wish to control 100% of the capital of EER but this cannot be assured.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an audit reviewed balance sheet (statement of financial position) of EER (Balance Sheet "A") as at 31 December 2017, adjusted for estimated administration, corporate and exploration costs of $200,000 and the capitalisation of interest due to the Noble Group to 9 May 2018 at an estimated $1,182,461 (the Company considers the most likely date for conversion of the Debt by Noble is 9 May 2018) and after impairing the Mineral Assets to $13,500,000 as noted below.

In addition, we disclose a pro-forma consolidated Balance Sheet "B" assuming the following:

- the issue of 7,834,796,925 Conversion Shares to eliminate all Debts due by EER to the Noble Group at say 0.36 cents each (the extent of Debt to be converted and the number of shares to be issued to Noble may be different as noted above in paragraph 2.2); and
- the incurring of cash costs relating to the Conversion approximating $50,000.

	Unaudited Adjusted 31 December 2017 EER $000 "A"	Unaudited Pro-forma 31 December 2017 EER $000 "B"
Current Assets		
Cash assets	309	259
Trade and Other Receivables	21	21
Total Current Assets	330	280
Non-Current Assets		
Property, Plant and Equipment	6	6
Bonds	25	25
Capitalised exploration costs	13,500	13,500
Total Non-Current Assets	13,531	13,531
Total Assets	13,861	13,811
Current Liabilities		
Trade and Other Payables	284	284
Total Current Liabilities	284	284
Non-Current Liabilities		
Owing to Noble Group	28,205	-
Total Non- Current Liabilities	28,205	-
Total Liabilities	28,489	284
Net Assets/(Liabilities)	(14,628)	13,527
Equity		
Issued Capital	59,912	88,117
Accumulated Losses	(74,540)	(74,590)
Total Equity (Deficiency)	(14,628)	13,527

The net asset (book value) backing per fully paid ordinary EER share as at 31 December 2017 based on the unaudited adjusted (see above) balance sheet (Balance Sheet "A") and 346,480,930 fully paid ordinary shares on issue is approximately nil cents (refer paragraph 5.9 below).

Based on the unaudited pro-forma consolidated book net asset book values, this equates to a value per fully paid ordinary share of approximately 0.165 cents per share (8,191,277,855 shares on issue) (ignoring the value, if any, of non-booked tax benefits and the ascribed values of the mining assets of the EER Group as per the Agricola Valuation Report). Taking into account, the preferred valuation of the mining assets of the EER Group of $13,500,000 as noted below, the value of an EER share pre- Conversion of Debt may be nil cents.

5.4.2 We have accepted the amounts as disclosed for all current assets and non-current assets. We have been advised by the management of EER that they believe the carrying value of all current assets, fixed assets and liabilities at 31 December 2017 (as adjusted as noted above) are fair and not materially misstated. The figures are unaudited and no impairment tests have been conducted on the EER's interest in mining tenements in Australia.

5.4.3 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between EER and other parties. We also note it is not the present intention of the Directors of EER to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in EER based on the market perceptions of what the market considers an EER share to be worth.

5.5 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.

5.6 The Company has commissioned Agricola (Author of the Valuation Report was Malcolm Castle) to prepare a valuation report of the mineral assets owned by the EER Group. The Agricola Valuation Report of 19 February 2018 should be read in its entirety and a full copy of the Agricola Valuation Report is attached as Appendix B to this report. The Agricola Valuation Report ascribes a range of values to the mineral assets and for the purposes of our report we have used the low, high and mid-range valuations referred to in the Agricola Valuation Report.

5.7 We have used and relied on the Agricola Valuation Report on the mining assets and have satisfied ourselves that:

- Agricola is a suitably qualified consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the principal author of the report Malcolm Castle is suitably qualified and experienced);
- Agricola and Malcolm Castle are suitably independent from EER (but noting that Malcolm Castle owns 40,000 shares in EER and was a former non-executive director of EER from December 2007 to 24 November 2011); and
- Agricola has to the best of our knowledge employed recognised methodologies in the preparation of the Agricola Valuation Report on the mining assets.

5.8 Agricola has provided a range of market values of the interests in the mineral assets as follows:

	Low $	**Preferred $**	**High $**
All Mineral Assets as described in the Agricola Valuation Report	9,600,000	13,500,000	19,500,000
	9,600,000	13,500,000	19,500,000

5.9 It is noted that Agricola has ascribed a preferred fair value on the EER Group coal assets at $13,500,000 and if this figure was used as a substitute to the capitalised exploration and evaluation costs in the unaudited adjusted management balance sheet of 31 December 2017 of $24,578,000, then the deemed fair value of EER at 31 December 2017 may approximate a negative ($14,628,000) or approximately nil cents per share (Low, nil cents and High, nil cents). The audit reviewed statement of financial position was adjusted to reflect the preferred value of $13,500,000 as noted above.

The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for EER shares and the market is kept fully informed of the activities of the Company.

Taking into account, the preferred valuation of the mining assets of the EER Group of $13,500,000 as noted below, the value of an EER share pre- Conversion of Debt would still be nil cents. The net liabilities would be made up of:

Current assets	330,000
Fixed assets and bonds	31,000
Preferred value of Mining Assets	13,500,000
Gross liabilities	(28,489,000)
Net liabilities	**$(14,628,000)**

However, it is noted that from EER's point of view, the value ascribed to the Conversion Shares to be issued to the Noble Group would normally be accounted for at the market value of an EER share at date of issue (or the 90-day VWAP as noted above). It is noted that the cash reserves of EER are quite low and taking into account its exploration and administration commitments over time, in the absence of further capital raisings or financial support from the Noble Group, the Company may need to be placed into some sort of Administration.

5.10 Market Price of EER Fully Paid Ordinary Shares

5.10.1 Share prices in EER as recorded on the ASX since 1 May 2017 up to and including 28 September 2017 (the last trading day before the suspension of trading in the Company's shares) have been as follows:

	High Cents	Low Cents	Closing Price Cents	Volume 000's
May	0.7	0.4	0.5	121
June	0.8	0.6	0.7	218
July	0.9	0.6	0.7	129
August	0.8	0.7	0.7	306
September (to 28th)	1.0	0.6	1.0	184

As can be seen from the trading volume on ASX, there was small trading of the EER shares for the nearly four months before the suspension of trading. The actual last date of a sale before suspension in EER shares was on 11 September 2017.

Post 14 December 2017and to 28 January 2018, no shares in EER were traded on the ASX. Between 29 January 2018 and to 6 February 2018, 255,505 shares were traded on ASX at 0.5 cents each and on 12 February 2018, 52,800 shares were traded at 0.4 cents each. The market capitalisation based on 0.4 cents and 0.5 cents respectively is $13,860,000 and $17,324,000 respectively. There have been no sales subsequent to 12 February 2018 to the date of this report.

It is noted that over the past several years, the vast majority of mineral exploration companies listed on the ASX are trading at significant discounts or premiums to appraised technical values and in some cases have traded at a discount to cash asset backing. In the case of EER, the monthly volume of trades on the ASX is minimal. There is no Deep Market for share trading in EER and the share price cannot be relied upon. The Company is in a net liability position.

5.10.2 The future value of an EER share will depend upon, inter alia:

- the future prospects of its mineral assets;
- the state of the coal and metal markets (and prices) in Australia and overseas;
- the state of Australian and overseas stock markets;
- the strength and performance of the Board and management and/or who makes up the Board and management;
- the potential risk of operating outside Australia;
- support by Noble;
- foreign exchange rates;
- general economic conditions;
- the liquidity of shares in EER; and
- possible ventures and acquisitions entered into by EER.

5.11 <u>Conclusion on the Value of EER Shares</u>

In our opinion, the current (before Conversion of Debt) fair value of a share in EER after taking into account the preferred fair value of the mineral assets of the EER Group by Agricola is approximately nil cents (range Low nil cents, high, nil cents).

6. Premium for Control

6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company, and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.

6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, the Noble Group could hold between approximately 96.82% and 97.43% of the expanded issued capital of EER. In take-over offers, it is often the case that a premium for control falls in the normal range of 15% to 40% and it is often accepted that a 20% premium for control should be payable. The actual premium may be more or less. In this case, we assume a reasonable premium for control should be 20%.

6.3 The EER Conversion Shares that are proposed to be issued to the Noble Group (the subject of Resolution 3), are deemed to be theoretically worth nil cents (preferred fair value after taking into account the preferred value of the mining assets ascribed by Agricola. However, such technical fair value is less than the range of share prices of EER shares traded on ASX between May 2017 and 11 September 2017 (no traded between 15 December 2017 and 25 January 2018). The share price of an EER share may not be re-rated upwards until, inter-alia completion of the Conversion and EER undertaking a new capital raising.

In our opinion, it is possible that the Noble Group is paying a premium for control, however the non-associated shareholders of EER are benefiting in that the theoretical value of an EER share rises from nil cents to a company with a theoretical book value of approximately 0.71 cents per share after completion of the Conversion (of Debt) (refer paragraph above for a range of book values).

If the conversion proposal is completed the Company may be in a position to seek new funds. No major fund raising proposals have yet been identified. Post-Conversion, Noble may arrange new funding.

6.4 Our preferred methodology is to value EER and an EER share on a technical net asset basis which assumes a 100% interest in the Company. Therefore, no adjustment is considered necessary to the technical asset value determined under paragraph 5.9 as this already represents the fair value of the Company or a share in the Company on a pre the proposed Transaction (Conversion) control basis.

6.5 We set out below the comparison of the low, preferred and high values of an EER share compared to the issue price for the Conversion Shares.

	Para.	Low (cents)	High (cents)
Estimated fair value of an EER Share	5.9	nil	nil
Issue price of the Conversion Shares		0.36	0.45
Excess between Conversion Price and fair value		0.36	0.45

6.6 On a pre-Proposed Transaction (Conversion) control basis, the preferred value of an EER share is nil cents per share, whilst the Conversion Share Price may fall in the range of 0.36 cents and 0.45 cents. Based on the preferred value of nil cents per share (pre-Conversion), a premium for control is being offered by Noble Group.

7. Fairness of the Conversion Proposal

7.1 The proposal to issue Conversion Shares to eliminate Debt at between 0.36 cents and 0.45 cents per share is believed to be fair to EER's non-associated shareholders if the value of the consideration offered is equal to greater than the value of the shares in EER prior to the Conversion proposal.

7.2 Due to the nature of the business of EER, valuations are dependent upon the value placed on the mining assets of the EER Group. The valuation of mining interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.

7.3 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

(a) the fair market value of an EER share, pre-transaction on a control basis; versus
(b) the fair market value of an EER share, post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

7.4 The low, preferred and high values of an EER share pre the Proposed Conversion on a control basis is:

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of an EER Share	5.9	Nil	Nil	Nil

7.5 We set out below the preferred estimated technical net asset values of EER (after adjusting for the following transactions):

Net preferred fair value of EER pre the Conversion Proposal	(14,628,000)
Debt eliminated on conversion to equity	28,205,000
Cost of Conversion Proposal	(50,000)
Total net assets	$13,527,000
Number of shares on issue assuming Conversion Shares issued (may be different as noted above)	8,191,277,855
Net asset value per share (cents)	0.165
Minority interest discount	16.67%
Minority value per share (cents)	0.137
Assumed Conversion Issue Price (cents)	0.36

7.6 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 6.2. This is calculated at 100% less (100% of 120% (incudes the 20% premium)) = 16.67%.

7.8 As noted above the fair market value of an EER share Post-Transaction (Conversion) on a minority basis, taking into account the elimination of Debt due to the Noble Group and the associated dilution resulting from the issue of new shares under the Conversion has a preferred fair value of approximately 0.137 cents. The range of values on a minority basis post-conversion may fall in the range of 0.98 cents to 0.199 cents (assumes 8,191,277,855 shares on issue). In the event that there are 6,624,318,522 shares on issue, the range of values on a minority basis may fall in the range of 0.121 cents and 0.246 cents with a preferred minority value of approximately 0.170 cents.

In effect, as a result of the Conversion Proposal to a related party (the Noble Group), the shares in EER increase from $nil to approximately 0.165 cents (between 0.98 cents and 0.199 cents) (approximately 0.137 cents (0.121 cents to 0.246 cents) on a minority shareholder basis), and this is the financial benefit to all shareholders. In dollar terms, the collective minority shareholding interest (210,567,477 shares) rises from $nil to a range between approximately (rounded) $255,000 to $591,000. As noted above, the Company's net assets rise from a negative liability position of approximately $(14,628,000) to a positive net asset position of approximately $13,527,000.

7.9 **In our opinion, taking into account the factors noted in this report, the proposals as outlined in paragraphs 1.1 and Resolution 3 may be considered to be fair to the non-associated shareholders (not associated with the Noble Group) at the date of this report.**

The valuation of mineral interests and the valuation of future profitability and cash flows are extremely subjective as they involve assumptions regarding future events that are not capable of independent substantiation**.**

8. Reasonableness of the Conversion Proposal

8.1 It is noted, that as the Conversion Proposal is considered fair, under ASIC RG111, the Conversion Proposal must also be reasonable. We also set out below some of the advantages and disadvantages and other factors pertaining to the proposed Conversion**.**

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Advantages

8.2 The passing and consummation of Resolution 3 would result in Debt of the EER Group totalling $28,205,219 (31 December 2017, $27,356,705) being eliminated to $nil, compared with the current position whereby the EER Group has other book assets of approximately $361,000 plus a carrying value for the Blackall Coal Project of $13,500,000 and liabilities of approximately $28,489,000 at conversion date (net book liabilities of approximately $14,628,000). Post Conversion, net book assets (net of liabilities) would increase to approximately $13,527,000. The Company before finalising audit-reviewed accounts to 31 December 2017 have written down the carrying value of the Mineral Assets to the preferred value as noted by Agricola.

8.3 If shareholders do not approve Resolution 3 to allow the Debt to be converted to ordinary shares in EER, the Debt will need to be repaid in cash by 10 May 2018, (but can be extended for a further six months by mutual agreement to 10 November 2018) and that could be a severe drain on the cash resources of the Company (the Company does not have the funds to repay the Debt and probably a heavily discounted capital raising would need to occur to raise cash to repay the Debt amount owing to the Noble Group. The ability to spend money on exploration and or further evaluation of the Blackall Coal Project and other mineral assets would be curtailed if the Debt needed to be repaid in cash.

8.4 The Company was paying interest on the Debt at the Bank Bill Reference Rate plus 7% and this currently approximates 8.850%. No further interest would be payable (that is currently capitalised), thus saving EER substantial savings in interest over the period to maturity of the Debt (as the Debt, including capitalised interest would have been converted to share equity in EER).

8.5 If Resolution 3 is not passed and consummated (and without possibly a new capital raising), it is likely that the Company would fall into some sort of Administration. By remaining listed of the Company's shares, the existing shareholders are re-offered liquidity to sell their shares on the ASX (albeit there is no Deep Market for shares in EER at the present time and unlikely to be in the future).

8.6 The Company may be better placed to raise further funds by way of share equity as a result of eliminating material Debt due to the Noble Group. It would be extremely difficult to raise new share equity on commercial terms whilst significant Debt is outstanding. The Company to move forward the Blackall Coal Project will need to raise new cash funds in 2018 and onwards.

8.7 There is an incentive to EER and the Noble Group, to successfully exploit the mining assets as the Noble Group will have a significant increased shareholding interest in EER as noted above.

Disadvantages

8.8 The conversion price for the Debt is to be the 90-day VWAP prior to conversion which may be a discount to the market share price of an EER share at date of Conversion. Over most of the period in August/September 2017 (to date of suspension) the shares in EER in that period have traded between 0.6 cents and 1.0 cents but on extremely low volumes. In the then (and current) market it was extremely difficult to raise funds (small market capitalisation exploration companies are all competing for funds) and it was and still is time consuming and costly for exploration companies such as EER to raise equity, and if raised, significant discounts to recent traded share prices are often needed to be offered. It is not uncommon to offer discounts in the current market of between 20% and 50%. Arguably it could be higher for mineral exploration companies that incur losses and have negative cash flows (such as EER).

8.9 It should be noted that shareholders need to take into account the likelihood of the future prospectivity of, and any associated potential upgrades to mineral resources and mineral reserves, and thus the impact upon the share price for the duration of the Debt, to ascertain whether the future value and the conversion prices are considered to be congruent.

8.10 Currently, the Noble Group owns 145,913,453 shares in EER (40.93%) and following Conversion, the Noble Group's shareholding interest in the Company may approximate between 96.82% and 97.43% and the number of shares on issue may rise substantially to between 6,624,318,522 and 8,191,277,855 post Conversion. The existing shareholders not associated with the Noble Group have a current 59.07% interest in EER of which Majicyl has a 45.87% shareholding interest) but post the Conversion, the minority shareholding interest reduces to approximately between 2.00% and 2.79% (albeit a smaller shareholding in a Debt free EER). See other factors noted below.

Other Factors

8.11 It is noted that for accounting purposes in the books of EER, the Conversion Shares would normally be booked at the market value of the ordinary shares in EER at the date the Conversion Shares are issued to the Noble Group, however in this case the agreed Conversion price has been set at the 90-day VWAP before Conversion (unknown issue price).

8.12 The Company post the Conversion will have insufficient cash to meet planned exploration and administration expenditures in 2018. The Company will need to undertake a capital raising of some magnitude in order to meet planned costs and costs of exploration over the EER Group's mineral assets. In view of the poor financial affairs of the Company this may prove difficult and any share issue may occur at a significant discount to current share prices of EER.

8.13 If the Company continues to have positive results from its underlying mineral projects, there is an increased chance that future capital raisings may be undertaken at a higher price than the Conversion price (unknown at this stage).

8.14 By approving Resolution 3 it gives the Noble Group the right to convert the Debt to shares in EER without having to make a full takeover bid for the Company. Section 611 (Item 7) approval and the passing of Resolution 3 would eliminate the need for a full takeover bid. However, following Conversion, EER will become a subsidiary (but not wholly owned) of Noble.

8.15 The conversion price will be significantly greater than the net book and technical_asset backing per share price of nil cents per EER share.

8.16 The issue of shares to the Noble Group on conversion of the Notes could possibly deter any potential bidders to make a takeover for the Company (in full or in part). To our knowledge, there are no current bids in the market place and the directors of EER have formed the view that there is unlikely to be any takeover bids made for EER in the immediate future but Noble would be at an advantage if it decided in the future to make a full takeover bid for all of the shares in EER. It is unknown whether the Noble Group would attempt to compulsory acquire all of the remaining shares in EER.

8.17 It is assumed that any proposed new directors to be nominated by the Noble Group will bring expertise to the Company in that they will have either financial, accounting, marketing or corporate experience and/or experience as directors or managers of public listed companies and/or other trading entities.

8.18 Noble is obtaining a vastly increased percentage interest in EER as noted below however it will no longer receive cash as repayment of the Debt and no further interest on the Debt. It will have a shareholding in EER and to "recover its investment" in the medium term, will need to ensure EER is recapitalised and attempt to place added value to the Blackall Coal Project.

9. Conclusion as to Reasonableness

9.1 **After taking into account the factors referred to in 8 above and elsewhere in this report and the fact that the Conversion Proposal is considered fair, we are of the opinion that the Proposed Conversion as noted in paragraph 1.1 and Resolution 3 in the Notice is considered to be <u>reasonable</u> to the existing non-associated shareholders of EER at the date of this report.**

10 Shareholder Decision

10.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether, inter-alia in its opinion the proposal to allow the Noble Group to convert Debt to ordinary shares in EER is fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 3 (and all other Resolutions) (but we have been requested to determine whether the proposal pursuant to Resolution 3 are fair and/or reasonable to those shareholders not associated with the Noble Group). The responsibility for such a voting recommendation lies with the directors of EER.

10.2 In any event, the decision whether to accept or reject Resolution 3 (and all other resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposals under Resolution 3 (and all other Resolutions), shareholders should consult their own professional adviser.

10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in EER. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposals under Resolution 3 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

11. Sources of Information

11.1 In making our assessment as to whether the proposed Conversion of Debt as noted in paragraph 1.1 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and the mining assets that is relevant to the current circumstances. In addition, we have held discussions with the management of EER about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of EER.

11.2 Information we have received includes, but is not limited to:

a) Draft EER Notice's and ESS's to 16 March 2018;
b) Discussions with management of EER;
c) Details of historical market trading of EER ordinary fully paid shares recorded by ASX for the period 1 January 2017 to 11 September 2017 and 14 December 2017 to 19 March 2018;
d) Shareholding details of EER as supplied by the Company's share registry as at 17 November 2017;
e) Audited balance sheet of the EER Group as at 30 June 2017 and unaudited and audit reviewed balance sheet as at 31 December 2017;
f) Announcements made by EER to the ASX from 1 January 2015 to 16 March 2018;
g) The Restructure Term Sheet of October 2017
h) The independent Agricola Valuation Report of Agricola dated 19 February 2018 on the mining assets of the EER Group and discussions with the author of the Agricola Valuation Report;
i) The cash flow forecasts of EER for the period 1 January 2018 to 31 December 2018;
j) Permission correspondence from Agricola allowing us to use, refer to and rely on the Agricola Valuation Report;
k) Interest calculations estimated to 9 May 2018 on loans due by the EER Group to Noble; and
l) Various loan agreements between the EER Group and Noble.

11.3 Our report includes Appendices A, B and C and our Financial Services Guide attached to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

J P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd (trading as Stantons International Securities) dated 19 March 2018, relating to the proposed issue of Conversion Shares to the Noble Group to eliminate Debt due by the EER Group to the Noble Group as outlined in paragraph 1.1 of the report and Resolution 3 in the Notice of Meeting to Shareholders and the ES proposed to be distributed to the EER shareholders in March 2018.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with EER and the Noble Group other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of $18,500. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report. In 2013, Stantons International Securities issued an independent expert's report relating to, inter-alia EER proposed acquisition of all of the shares on Idalia, entering into Charges with Noble, the continued performance of the Royalty Deeds and the continued performance of the Life of Mine Agreement.

Stantons International Securities does not hold any securities in EER and the Noble Group. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities, Mr J Van Dieren and Martin Michalik (quality control reviewer) have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report and Mr Martin Michalik, ACA, the quality control reviewer, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of EER in order to assist them to assess the merits of the proposed Conversion of Debt and the issue of Conversion Shares to the Noble Group as outlined in Resolution 3 of the ES to which this report relates. This report has been prepared for the benefit of EER's shareholders and does not provide a general expression of

Stantons International Securities opinion as to the longer-term value of EER Group and its assets. Stantons International Securities does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of EER and its subsidiaries. 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, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 3 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 3 (and all other Resolutions).

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by EER and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), EER has agreed:

(a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which EER may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by EER; and

(b) To indemnify Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from EER or any of its officers providing Stantons International Securities any false or misleading information or in the failure of EER or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to the EER directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 19 March 2018

1. Stantons International Securities Pty Ltd ABN 84 144 581 519 and Financial Services Licence 448697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances, we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 418019;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. 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.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **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.

8. **Associations and relationships**

SIS is ultimately a wholly company of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd also trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints 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.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

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

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

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

10. Contact details

You may contact us using the details set out above.

Telephone	08 9481 3188
Fax	08 9321 1204
Email	jvdieren@stantons.com.au

APPENDIX B

AGRICOLA INDEPENDENT VALUATION OF THE MINERAL ASSETS OF THE EER GROUP IN QUEENSLAND

Agricola Mining Consultants Pty Ltd

INDEPENDENT VALUATION OF THE

BLACKALL COAL PROJECT

HELD BY EAST ENERGY RESOURCES LIMITED

19 February 2018

Malcolm Castle
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
Mobile: 61 (4) 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

19 February 2018

The Directors
Stanton International Securities Pty Ltd
Level 2, 1 Walker Street
West Perth WA, 6005

Dear Sirs,

Re: INDEPENDENT VALUATION OF THE BLACKALL COAL PROJECT HELD BY EAST ENERGY RESOURCES LIMITED

Agricola Mining Consultants Pty Ltd ("Agricola") was commissioned by the Directors of Stanton International Securities Pty Ltd to provide a Valuation Report ("Report") on the Coal Assets at the Blackall Coal Project in Queensland held by East Energy Resources Limited (the "Company"). This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The present status of the tenements is based on information made available by the Company and independently verified by Agricola. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

Scope of the Valuation Report

A valuation report expresses an opinion as to monetary value of a Coal Asset but specifically excludes commentary on the value of any related corporate Securities. Agricola prepared this Report utilizing information relating to exploration methods and expectations provided to it by various sources. Where possible, Agricola has verified this information from independent sources. This Report has been prepared for the purpose of providing information to the Client.

This Coal Asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer Test* after the Australian High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its "highest and best use".

Applying the Spencer Test may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

The findings of the valuation Report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk). A range of values (high, low and preferred) has been determined and stated in the Report to reflect any uncertainties in the data and the interaction of the various assumptions made.

The main requirements of the Valuation Report are:

- Prepared in accordance with the VALMIN Code 2015
- Experience and qualifications of key personnel to be set out
- Details of valuation methodologies
- Reasoning for the selection of the valuation approach adopted
- Details of the valuation calculations
- Conclusion on value as a range with a preferred value

The Coal Assets

- Blackall Coal Project – 100% Equity

DECLARATIONS

Relevant codes and guidelines

This Report has been prepared as a technical assessment and valuation in accordance with the *Australasian Code for Public Reporting of Technical Assessment and Valuation of Coal Assets* (the "VALMIN Code", 2015 Edition), which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") Regulatory Guides that pertain to Content of Experts Reports (RG 111, March 2011) and Independence of Experts (RG 112, March 2011).

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guide 112 with respect to Agricola's independence as experts. Agricola regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests that would affect the expert's ability to present an unbiased opinion within this report.

Where exploration results and mineral resources have been referred to in this report, the information was prepared and first disclosed under the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* ("JORC Code"), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia 2012.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. Agricola has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to the Company, along with a written request to identify any material errors or omissions in the technical information prior to lodgement.

In compiling this report, Agricola did not carry out a site visit to the project areas. Based on its professional knowledge, experience and the availability of extensive databases and technical reports made available by various Government Agencies and the early stage of exploration, Agricola considers that sufficient current information was available to allow an informed appraisal to be made without such a visit.

This Report contains statements attributable to third persons. These statements are made in, or based on statements made in previous geological reports that are publicly available from either a government department or the ASX. The authors of these previous reports have not consented to the statements' use in this Report, and these statements are included in accordance with ASIC Corporations (Consents to Statements) Instrument 2016/72.

The independent valuation report has been compiled based on information available up to and including the date of this report. The information has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to value. However, Agricola does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

Malcolm Castle has over 50 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 30 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical audits in many countries.

He has completed numerous Independent Geologist's Reports and Coal Asset Valuations over the last decade as part of his consulting business. Valuation reports include submissions to the Office of State Revenue. Mr Castle is a qualified and competent witness in a court or tribunal capable of supporting his valuation reports or to give evidence of his opinion of market value issues.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Mr Castle is the Principal Consultant for Agricola Mining Consultants Pty Ltd, an independent geological consultancy established 30 years ago. He is a Member of the Australasian Institute of Mining and Metallurgy ("MAusIMM").

Declaration – VALMIN Code: The information in this report that relates to Technical Assessment and Valuation of Coal Assets reflects information compiled and conclusions derived by Malcolm Castle, who is a Member of The Australasian Institute of Mining and Metallurgy. Malcolm Castle is not a permanent employee of the Company.'

Malcolm Castle has sufficient experience relevant to the Technical Assessment and Valuation of the Coal Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Coal Assets'. Malcolm Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.'

Competent Persons Statement – JORC Code: The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle, who is a Member of the Australasian

Institute of Mining and Metallurgy. Mr Castle has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence

Malcolm Castle currently hold 40,000 ordinary shares in East Energy Resources and he was a Non-Executive Director of that company from December 2007 to 24 November 2011. Agricola does not consider this shareholding to represent a significant pecuniary or beneficial interest in The Company or the former directorship to affect its independence.

Agricola or its employees and associates are not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the projects. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees of $7,000 plus GST based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Consent has been given for the distribution of this report in full in the form and context in which it is provided, for the purpose for which this report was commissioned. Agricola provides its consent on the understanding that the assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report.

Agricola has no reason to doubt the authenticity or substance of the information provided.

Valuation Opinion

Based on an assessment of the factors involved, the estimate of the market value for 100% equity in the Company's Blackall Coal Project, is in the range of <u>A$9.6 million to A$19.5 million with a preferred value of A$13.5 million</u>.

This valuation is effective on 19 February 2018.

This Coal Asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the *Spencer Test).*

Agricola's opinion should be considered as a whole as the various elements of its analysis are often interdependent. Agricola cautions against examination of individual elements of its analysis as this may create a misleading impression of the overall opinion.

Yours faithfully

Malcolm Castle

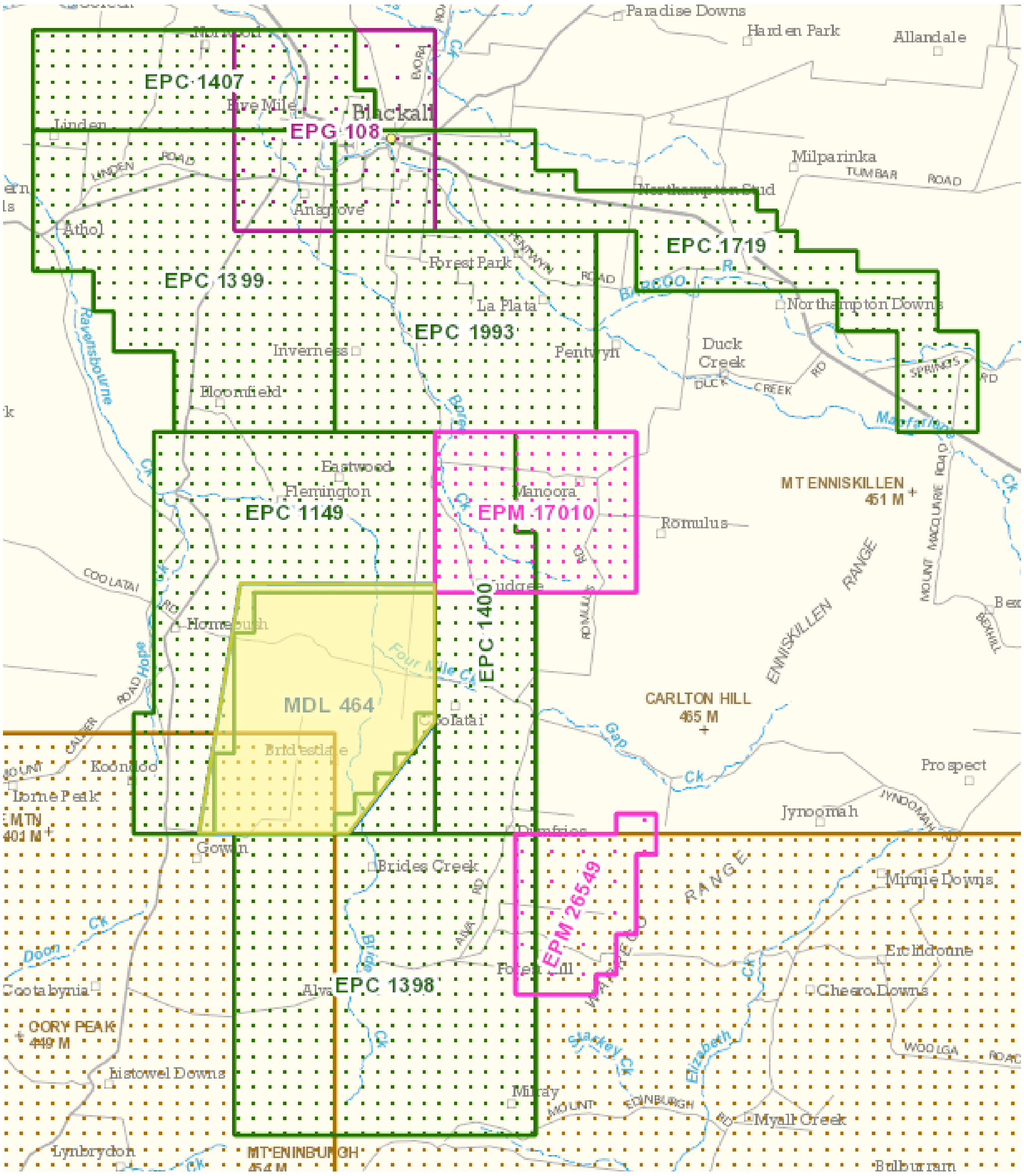
B.Sc.(Hons) MAusIMM, GCertAppFin (Sec Inst)

Agricola Mining Consultants Pty Ltd

TENEMENT SCHEDULE

Queensland Tenements

EAST ENERGY RESOURCES Blackall Coal Project		**Tenement Details**			
Tenement	**Holder**	**Granted**	**Expiry**	**Status**	**Blocks**
EPC 1149	East Energy Resources Ltd	22/4/08	21/4/18	Live	180
MDL 464		20/7/14	31/7/19	Live	37,675Ha
EPC 1398	IDALIA Coal Pty Ltd	29/6/11	28/6/19	Live	225
EPC 1399		24/8/10	23/8/18	**Live**	183
EPC 1400		24/8/10	24/8/18	Live	95
EPC 1403		12/10/10	11/10/17	Live	103
EPC 1407		26/8/10	25/8/20	Live	86



Blackall Coal Project Tenements

There is a small overlap between MDL 464 and EPC 1149. This is estimated at 5% of the area of EPC 1149. For the valuation assessment the area of EPC 1149 has been reduces by 5%.

The status of the tenements has been verified based on a recent independent inquiry of the Department of Mines and Petroleum, QLD, Resource Authority Public Report Mineral Titles On Line database (*source: https://www.business.qld.gov.au*) by Agricola, pursuant to section 7.2 of the Valmin Code, 2015. The tenements are believed to be in good standing based on this inquiry.

THE GALILEE BASIN OVERVIEW

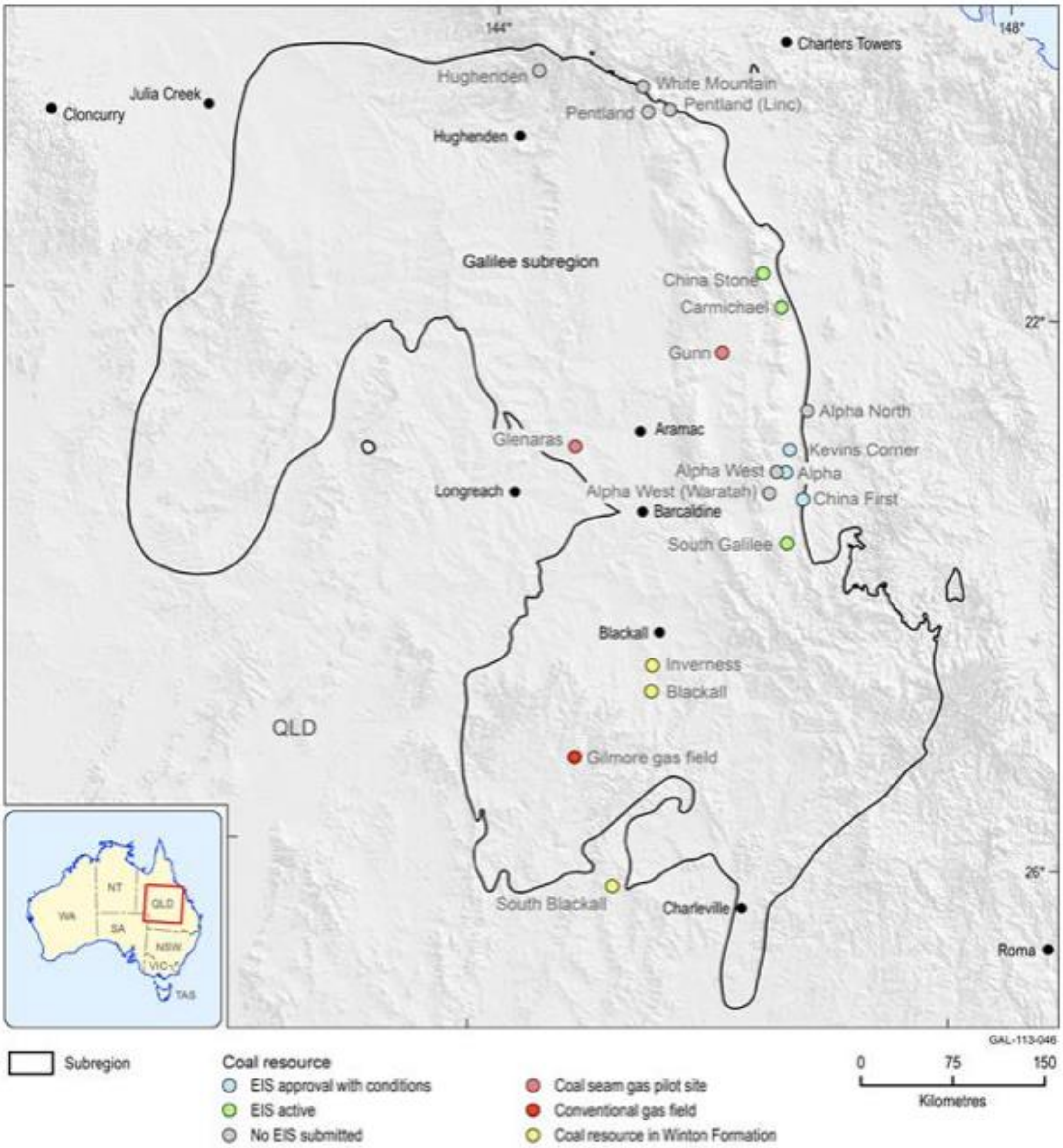
The geological Galilee Basin contains extensive world-class resources of predominantly high-volatile, low sulfur thermal coal. Development plans are well-advanced for six major black coal deposits on the eastern margin of the basin. Because of their large size these operations are projected to achieve significant economies of scale.

Although the Galilee Basin is currently a major focus of coal exploration and possible future development, most of this activity has taken place post-2008. In 2003, Mutton reviewed the physical and chemical properties of all known Queensland coal deposits. As part of this review only three coal deposits were described from the Galilee Basin, these being Alpha, Kevin's Corner and Pentland (all first identified in the 1970s). This indicates that, a little over ten years ago, the overall size of the coal resources in the Galilee Basin was poorly understood. The total resource inventory quoted by Mutton (2003) for the Galilee Basin amounted to only 1678 Mt of raw coal available for open-cut mining (measured and indicated resources), and 530 Mt of raw coal available for underground mining.

In a little over a decade the estimated coal resources of the Galilee Basin (i.e. the 23,248 Mt of identified resources quoted in GA and BREE, 2014) have grown over ten times the tonnage quoted by Mutton (2003). This large increase in relatively short time reflects the boom in greenfield exploration that has occurred since the mid-2000s (closely aligned to significant increases in global coal prices), and the successful delineation of at least seven thermal coal deposits containing in excess of one billion tonnes of identified resources (reported in accordance with the industry standard guidelines of the Joint Ore Reserves Committee (JORC) Code).

The six most advanced coal development projects in the Galilee Basin are covered by various mineral development licences (MDLs) and mining lease applications (MLAs) Environmental impact statements (EIS) have been submitted and assessed for most of these projects (Figure 12). The EIS assessment was required as these proposed coal developments have the potential to cause significant environmental impacts. Thus, they have been declared 'coordinated projects' by the Queensland Coordinator-General under the *State Development and Public Works Organisation Act 1971*. Other Queensland legislative acts that may relate to assessing environmental impacts of development projects include the *Environmental Protection Act 1994*, and the *Sustainable Planning Act 2009*.

Further information about the process of assessing coordinated projects in Queensland is available from Queensland Government (DSDIP, 2014a).



Significant coal and coal seam gas developments in the Galilee subregion

There are four coal mining development projects in the Galilee subregion that have recently been granted approval by the Queensland Government (subject to various conditions) to begin the initial stages of mining construction and development prior to starting commercial operations. Listed in order of approval (Figure 12), these coal projects are:

- Alpha
- Kevin’s Corner

- China First
- Carmichael.

There are two other proposed coal development projects that are currently within the EIS approvals system and pending assessment outcomes:

- China Stone
- South Galilee.

In addition to the statutory requirements under Queensland legislation, these proposed developments have also been declared 'controlled actions' under relevant Australian Government law (specifically, the *Environment Protection and Biodiversity Conservation Act 1999*). This requires that they are also assessed for their potential impacts on Matters of National Environmental Significance (MNES). As of August 2014, the Alpha, Kevin's Corner, China First and Carmichael coal projects have all been approved with conditions by the Australian Government under the EPBC Act. However, to permit mine construction operations to commence, these developments also require the granting of a mining lease from the Queensland Government (under the *Mineral Resources Act 1989*), as well as the award of an environmental authority (EA) under the Queensland *Environmental Protection Act 1994*. The EA is required as the coal mining and associated activities are regarded as environmentally relevant activities (ERA). The EA administering authority for resource-related activities in Queensland is the Department of Environmental and Heritage Protection (EHP).

As well as the six most-advanced coal mining developments, there are another two MLAs for coal projects in the Galilee Basin that are not yet at EIS stage:

- Alpha North
- Clyde Park.

The timing of any future EIS assessment of these two projects is currently unknown. However, brief summaries are also presented in this section for these two resource projects to provide an indication of the style of development that may occur in the future. These details have mostly been taken from publically available information from company websites, and various reports and statements presented to the Australian Securities Exchange (ASX).

There are several coal projects in the Galilee Basin covered by MDLs (but not yet MLAs), and these can be considered as potential sites for future coal mining development. However, these are at a less-advanced state than MLA projects, and decisions to proceed with each of these will depend upon the outcomes of further resource assessment and preliminary mine feasibility studies. The potential coal project developments in the Galilee Basin with MDLs, but which are not yet at the stage of submitting a MLAs are:

- Alpha West
- Carmichael East
- Pentland

- West Pentland
- Blackall.

Blackall Coal Project

East Energy Resources Limited (EER) is a coal exploration and development company focused on the Mesozoic coal resources of the Eromanga Basin, Queensland. Currently, EERs main focus is the Blackall Coal Project about 25 km south of the town of Blackall (Figure 12). The Blackall Coal Project consists of three main coal resource areas within three coal exploration tenements (EPC 1149, EPC 1398 and EPC 1399). As of September 2014, the total resource across the entire project area is estimated in accordance with the JORC Code as 3.44 billion tonnes of thermal quality coal (EER, 2014).

In November 2011 EER applied for MDL 464 to undertake more detailed resource characterisation studies for the Blackall deposit, and this was granted by the Queensland Government in July 2014 (EER, 2013). In contrast to other coal projects with MLA or MDL holdings in the Galilee subregion, the coals of the Blackall Project are hosted within the Late Cretaceous strata of the Winton Formation. This unit is significantly younger than the Late Permian rocks which contain the more well-known and regionally extensive coal resources of the eastern and northern Galilee Basin.

Initial exploration programmes undertaken by EER identified six main intervals of sub-bituminous coal within EPC 1149 (designated as seams 1 to 6). Most of these seams have several upper and lower plies, with the thickest being seams 2, 3 Lower (3L), and 4 Upper (EER, 2014). The coals have average raw ash content of 22% and moisture levels ranging from 18 to 22% (air dried basis). The initial resource evaluation area has a strike-length of about 95 km and a mean width of 6 km, with current resources in EPC 1149 totalling 1.74 billion tonnes (resources estimated by a Competent Person as defined by the JORC Code). This comprises of 627.5 Mt of indicated resource, and 1113 Mt of inferred resource (EER, 2014).

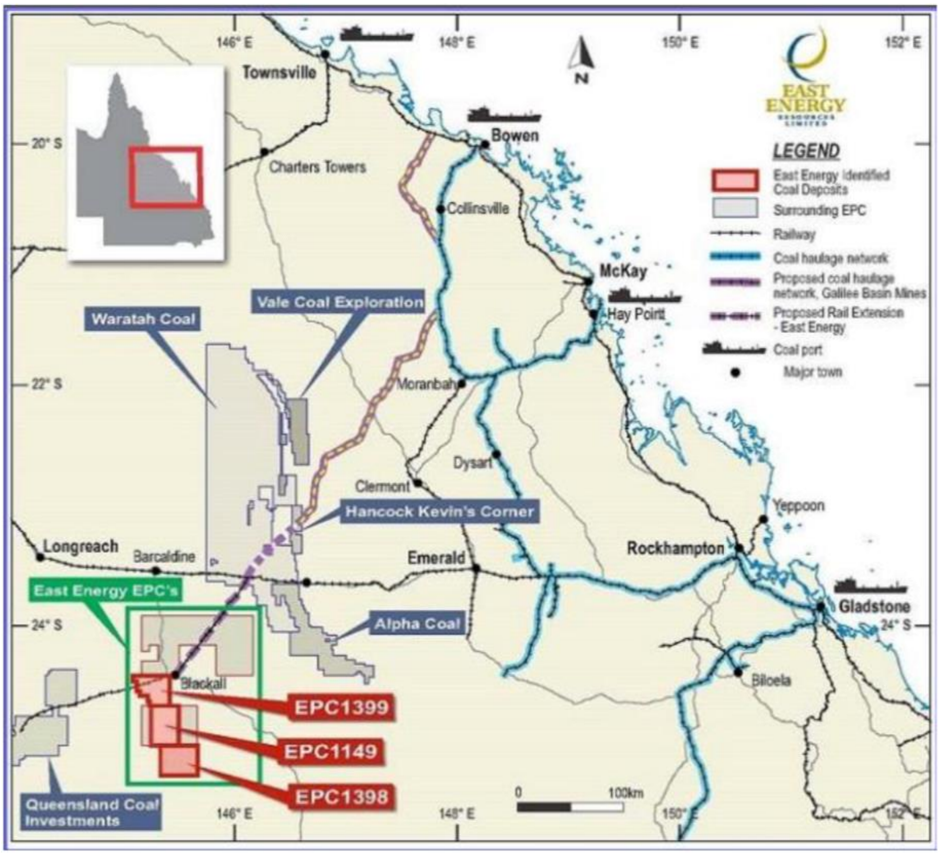
In May 2013 EER purchased Idalia Coal, which increased the size of their tenement holding within the Blackall region through acquisition of EPC 1398 and 1399 to the immediate south and north of EPC 1149, respectively. This acquisition initially added a further 440 Mt of inferred resource of similar quality coal to the EER portfolio, as well as a significant regional exploration target (EER, 2013). Further investigative work commissioned by EER in 2013, including a 68 hole drilling program, resulted in an upgraded coal resource for EPC 1399 totalling 1504 Mt of inferred resource reported in accordance with the JORC Code (EER, 2014). The current exploration target at Blackall across EPC 1398 and EPC 1399 is estimated at 2.0 to 2.5 billion tonnes of coal (EER, 2014).

Previous work commissioned by EER examined potential options for future development of the large scale sub-bituminous coal resources on their Blackall tenements. The final report stated that the coal quality is suitable for thermal energy use, and the volume and architecture of coal-bearing strata are amenable to large scale open-cut mining (EER, 2013). With further brownfield exploration aimed at increasing the resource size, there is potential to develop a 30 year mine life, with staged production schedules eventually ramping up to full capacity of about 20 Mt/year of washed coal product. Potential market options identified included supplying a local power station (which would need to be built), coal for sale to domestic or export markets, coal gasification, and gas to liquids conversion.

Given the large tonnage of the current resource identified at Blackall Coal Project and further resource definition drilling planned in the future (EER, 2014), there may be potential for EER to consider future mining operations at Blackall. Several independent studies have now been undertaken to better understand the geology, resources, mining options, infrastructure requirements and financial considerations of developing the Blackall Coal Project (EER, 2013). However, at this stage, the timing and details of such developments are unknown, and will depend on factors such as securing access to infrastructure and signing sales contracts for the coal resources.

Source: *http://www.bioregionalassessments.gov.au/assessments/12-resource-assessment-galilee-subregion/123115-blackall-coal-project*

PROJECT REVIEW



Blackall Project Location Map

Queensland Project Location

East Energy Resources Ltd (East Energy) and Idalia Coal Pty Ltd (Idalia) hold Exploration Permits for Coal in the Eromanga Basin in Central Queensland, approximately 65km south of the township of Blackall. The acquisition of Idalia Coal in May 2013 increased the tenement package to 6 EPCs with a total area of 2,712 square kilometres.

Mineral Development License (MDL 464) was granted for a period of 5 years, with a commencement date from 1 August 2014. The MDL covers some 37,000a over the central portion of the main coal resource where initial mining is most likely to occur should the project proceed.

Blackall Project Geology

The Blackall Project lies within the Eromanga Basin, an intracratonic basin which is early Jurassic to late Cretaceous in age. Coal is developed in the Late Cretaceous Winton Formation. The Winton Formation consisting of sandstones, siltstones, claystones and coal, crops out over much of the project area

Six main coal intervals (designated seams 1 to 6) are identified as being present in the broader Project area, most of which comprise of several "upper" and "lower" plies. The 2, 3 Lower (3L) and 4 Upper (4U) seams are generally the thickest seams in the sequence. Average individual seam thicknesses range from 0.52 to 2.82 m in the Resource area.

Coal Resources

With a resource strike length of 95km and an average width of 6km, the three EPC's host an exploration target of over 6 billion tonnes of open cut mineable coal – one of the largest coal deposits in Australia.

EAST ENERGY RESOURCES				
Blackall Coal Project				
Estimated Mineral Resources	EPC 1399	EPC 1398	EPC 1149	Total
Measured				
Tonnes, Mt				
Indicated				
Tonnes, Mt	-	-	627.500	627.50
Inferred				
Tonnes, Mt	1,504.00	200.00	1,113.00	2,817.00
Total Tonnes, Mt	1,504.00	200.00	1,740.50	3,444.50

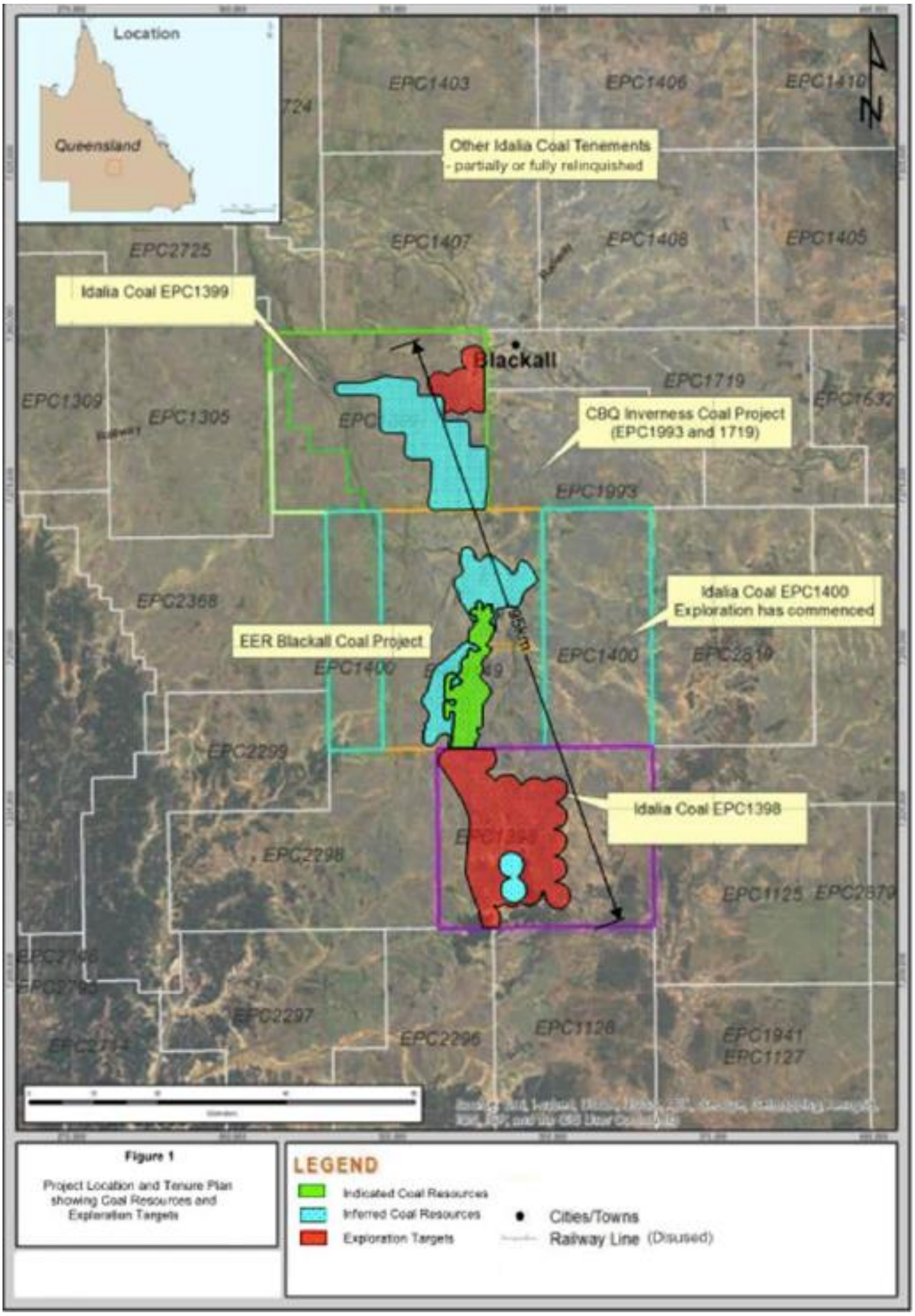
The Blackall Project consists of three main coal resource areas within MDL464, EPC1398 and EPC1399. These permits host a combined JORC Total Coal Resource Estimate of 3.44 billion tonnes of low ranking thermal quality coal.

An Exploration Target in the range of 2.0 to 2.5 billion tonnes has been identified with EPC 1398 and EPC 1399. References to Reported Exploration Targets are in accordance with the guidelines of the JORC Code (2012). The potential quantity and grade of the targets is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.

Source:

East Energy Resources Ltd, 2014, EAST ENERGY RESOURCES ARE PLEASED TO ANNOUNCE UPDATED JORC RESOURCE OF 1.74BT, ASX announcement dated 17 September 2012

East Energy Resources Ltd, 2014, ASX announcement dated 10 July 2014 - EER REPORTS 3.44 BILLION TONNE JORC RESOURCE, ASX announcement dated 10 July 2014



Coal Resource and Exploration Target areas

Coal Quality

The total Blackall coals are low ranking sub-bituminous on average, with inherent moistures ranging from 18 to 22% (air dried 'ad'). The average raw coal ash ranges from 19 to 27% (ad), averaging 22% (ad). The F1.60 product ash ranges from 11 to 15% (ad), with an average product yield of 81%. Average raw gross specific energy ranges from 15 to 17 MJ/kg, with the average F1.60 product energy ranging from 19 to 21 MJ/kg (4540 to 5020 kcal/kg). These specifications are below the Newcastle benchmark values.

The EPC 1399 coals are low ranking sub-bituminous, with inherent moistures ranging from 15 to 17% (ad). The average raw coal ash ranges from 16 to 30% (ad), averaging 23% (ad). Average raw gross specific energy ranges from 3,729 kcal/kg to 4,678 kcal/kg. Raw sulphur content is generally acceptable across the majority of the deposit, averaging 0.55%.

Typical specifications for NSW export thermal coal

	Region					
	Southern	Western	Hunter	Newcastle	Gunnedah	Gloucester
Moisture % (ad)	1.1	2.5	2.7	2.3	4.0	1.5
Moisture % (ar)	6.4	8.9	9.1	8.5	–	9.0
Ash % (ad)	19.5	13.7	13.5	15.1	10.0	17.5
Vm % (ad)	20.8	30.5	32.7	30.6	37.0	26.8
Ts % (ad)	0.45	0.65	0.60	0.60	0.45	0.65
Se % (kcal/kg)	6750	6890	6810	6760	7050	6800
CSN	1.5	1.0	1.5	2.0	–	–
AFT (°C) deform	1460	1420	1270	1380	1400	1530
AFT (°C) flow	1530	1560	1510	1540	1550	1600
HGI	64	49	50	52	45	65
Phosphorus % (ad)	0.030	0.009	0.027	0.032	0.006	0.002

Specifications of NSW high energy Coals

The Blackall coal quality can be considered against the following benchmarks:

- Australian thermal export coal benchmark – 6,000kcal, 12-14% ash content
- Australian thermal export coal secondary benchmark – 5,500kcal, 20% ash content (referred to as the API5 index)
- Indonesian thermal export coal – 4,500-5,500kcal, 2-10% ash content

- South African thermal export coal – 6,000kcal, 15% ash content
- Russian thermal export coal – 6,500kcal, 10-25% ash content
- Indian domestic thermal coal – 4,400kcal, 25-45% ash content (raw)

Comparing the use of the highest Australian benchmark thermal coal relative to Indonesia, the world's largest exporter of thermal coal, Australian thermal coal is higher in energy content, so 20% less coal is required to be burnt to generate a unit of electricity. The Blackall coals have no such advantage and are similar in specific energy to Indonesian Coals.

But with an ash content more than double Indonesia's export average, the ash pollution is double. It is therefore of dubious merit to claim burning Australian coal provides a better environmental outcome.

Further to this point, Australia has historically developed its best coal resources closest to the port first, such that the average quality of new resources being proposed is declining with time. As a result, the Australian benchmark is gradually giving way to a lower quality secondary benchmark with 10% lower energy content and almost double the ash content (5,500kcal, 20% ash). Blackall coals are in this category.

The rise of lower grade, "off-spec" coal stems from the declining quality of coal in some of the main exporting countries, i.e. Australia, South Africa, America and Colombia. This lower grade coal typically trades at a **material discount** to its energy adjusted to 6,000kcal equivalent.

Adani's Carmichael Project – A little cleaner than Indian Coal

Such is the case for Adani's proposed Carmichael thermal coal, which Institute for Energy Economics and Financial Analysis (IEEFA) estimates would be valued at a 30% discount to the Australian thermal 6,000kcal benchmark per tonne due to its lower quality.

With an energy content of only 4,950kcal/kg and 26% ash content, Carmichael is only 10% above the average quality of domestic Indian thermal coal in terms of energy content. Further, any environmental impact analysis would need to account for the requirement that this low energy, high ash thermal coal needs to be transported 5-10 times the distance. These comments apply to the Blackall coals as well.

Project economics remain poor, indicating a high risk of sustained loss making. Despite the recent spike in thermal coal prices in late 2016, the forward market is today back to pricing in a 2020 benchmark coal price of below US$68/t, half the prevailing price when Adani Enterprises acquired the Carmichael proposal in 2010.

IEEFA estimates a cash cost of free-on-rail product coal of A$33/t (A$26/t for run-of-mine (ROM), yield 80%), such that the free-on-board cost including rail and port plus marketing charges would be A$61/t. With first coal in 2020 at the earliest and reaching full capacity by 2022, the forward price of US$67-68/t is in our view a more reliable financial market consensus of where prices would be by the time coal is available for sale. At the forward price, Carmichael would generate a A$2-3/t gross cash loss before covering debt financing costs, not giving any return to the equity investment. Importantly, Carmichael coal will not achieve the benchmark Newcastle price: IEEFA estimates that its high ash content and low calorific value means that there will be around a 30% discount on Carmichael coal due to its lower quality.

Source: Institute for Energy Economics and Financial Analysis, Adani: Remote Prospects. Carmichael Status Update 2017.

VALUATION ASSESSMENT

VALUATION CONSIDERATIONS

The author of this report (the Specialist or valuer) is a Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and therefore, is obliged to prepare mineral asset valuations in accordance with the Australian reporting requirements as set out in the VALMIN Code (2015 Edition).

The opinions expressed and conclusions drawn with respect to this valuation are appropriate at the valuation date stated in the Report. The valuation is only valid for this date and may change with time in response to variations in economic, market, legal or political conditions in addition to ongoing exploration results.

The objective of a mineral asset valuation is to establish a "fair market" value for an asset in the context of the factors outlined in the body of this report.

Fair Market Value of Mineral Assets

Mineral assets are defined in the VALMIN Code as all property including, but not limited to real property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

The VALMIN Code defines fair market value of a mineral asset as the estimated amount of money or the cash equivalent of some other consideration for which, in the opinion of the Specialist reached in accordance with the provisions of the VALMIN Code, the mineral asset should change hands on the valuation date between a willing buyer and a willing seller in an arms length transaction, wherein each party has acted knowledgeably, prudently and without compulsion.

In effect therefore, the valuation Specialist is assumed to have the knowledge and experience necessary to establish a realistic value for a mineral asset. The real value of a tenement can only be established in an open market situation where an informed public is able to bid for an asset. The most open and public valuation of mineral assets occur when they are sold to the public through a public share offering by a company wishing to become a public listed resource company, or by a company raising additional finance. In this instance, the public is given a free hand to make the decision, whether to buy or not buy shares at the issue price, and once the shares of the company are listed, the market sets a price.

It is well known to most valuation Specialists that where mineral tenement valuation is concerned there are two quite distinct markets operating in Australia. Almost without exception, the values achieved for mineral assets sold through public flotation are higher than where values are established through, say, the cash sale by a liquidator, or the sale by a small prospector to a large company neighbour, or through joint venture arrangements.

It is Agricola's experience, that in all these circumstances the terms of sale generally do not meet the criteria laid out in the VALMIN Code for fair market value (i.e. transaction between a willing buyer, willing seller in an arm's length transaction, wherein each party had acted knowledgeably, prudently and without compulsion). Invariably one of the parties is a less than enthusiastic participant and it cannot be said that the purchase or sale is without an element of compulsion.

It is Agricola's opinion that the market value of mineral assets should be valued by the Specialist on the assumption that they are traded by vending them into a public float. Generally this will mean that the vendor is issued escrow shares (escrow period is usually two years). Importantly, this is a true cash sale situation, since the purchaser of the tenements (the public) is always expected to pay cash.

The VALMIN Code notes that the value of a mineral asset usually consists of two components; the underlying or Technical Value, and the Market component which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero. When the Technical and Market components of value are added together the resulting value is referred to as the Market Value.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change. Other factors that can influence the valuation of a specific asset include the size of the company's interest, whether it has sound management and the professional competence of the asset's management. All these issues can influence the market's perception of a mineral asset over and above its technical value.

Methods of Valuing Mineral Assets

Mineral assets with Mineral Resources and Ore Reserves

Where Mineral Resources and/or Ore Reserves have been defined, Agricola's approach is to excise them from the mineral property and to value them separately on a value per resource tonne / metal unit basis or on the basis of a discounted cash flow ("DCF"). The value of the exploration potential of the remainder of the property can then be assessed. Where appropriate, discounts are applied to the estimated contained metal to represent uncertainty in the information.

In Agricola's opinion, a Specialist charged with the preparation of a development or production project valuation must give consideration to a range of technical issues as well as make a judgement about the 'market'. Key technical issues that need to be taken into account include:

- confidence in the Mineral Resource / Ore Reserve estimate;
- metallurgical characteristics;
- difficulty and cost of extraction;
- economies of scale; and
- proximity and access to supporting infrastructure. Discounted cash flow analysis

Discounted Cash flow analysis

A discounted cash flow ("DCF") analysis determines the Technical Value of a project by approximating the value if it were developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

Comparable market value

When the economic viability of a resource has not been determined by scoping or high level studies, then a 'rule of thumb' or comparable market value approach is typically applied. The comparable market value approach for resources is a similar process to that for exploration property however a dollar value per resource tonne / metal in the ground is determined.

As no two mineral assets are the same, the Specialist must be cognisant of the quality of the assets in the comparable transactions, with specific reference to:

- the grade of the resource;
- the metallurgical qualities of the resource;
- the proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled work force, equipment, etc;

- likely operating and capital costs;
- the amount of pre-strip (for open pits) or development (for underground mines) necessary;
- the likely ore to waste ratio (for open pits);
- the size of the tenement covering the mineral asset; and
- the overall confidence in the resource.

Mineral assets in the exploration stage

When valuing an exploration or mining property, the Specialist is attempting to arrive at a value that reflects the potential of the property to yield a mineable Ore Reserve and which is, at the same time, in line with what the property will be judged to be worth when assessed by the market. Arriving at the value estimate by way of a desktop study is notoriously difficult because there are no hard and fast rules and no single industry-accepted approach.

It is obvious that on such a matter, opinions are based entirely on professional judgement, where the judgement reflects the Specialist's previous geological experience, local knowledge of the area, knowledge of the market and so on, that no two Specialists are likely to have identical opinions on the merits of a particular property and therefore, their assessments of value are likely to differ - sometimes markedly.

The most commonly employed methods of exploration asset valuation are:

- geoscience rating methods such as the Kilburn method (potential based); and
- multiple of exploration expenditure method (exploration based) also known as the premium or discount on costs method or the appraised value method;
- comparable market value method (real estate based).
- joint venture terms method (expenditure based);

It is possible to identify positive and negative aspects of each of these methods. It is notable that most valuers have a single favoured method of valuation for which they are prepared to provide a spirited defence and, at the same time present arguments for why other methods should be disregarded. The reality is that it is easy to find fault with all methods since there is a large element of subjectivity involved in arriving at a value of a tenement no matter which method is selected. It is obvious that the Specialist must be cognisant of actual transactions taking place in the industry in general to ensure that the value estimates are realistic.

In Agricola's opinion, a Specialist charged with the preparation of a tenement valuation must give consideration to a range of technical issues as well as make a judgement about the 'market'. Key technical issues that need to be taken into account include:

- geological setting of the property;
- the relative size of the landholding;
- results of exploration activities on the tenement;
- evidence of mineralisation on adjacent properties; and
- proximity to existing production facilities of the property.

In addition to these technical issues the Specialist has to take particular note of the market's demand for the type of property being valued. Obviously this depends upon professional judgement. As a rule, adjustment of the technical value by a market factor must be applied most judiciously. It is Agricola's view that an adjustment of the technical value of a mineral tenement should only be made if the technical and market values are obviously out of phase with each other.

It is Agricola's opinion that the market in Australia may pay a premium over the technical value for high quality mineral assets (i.e. assets that hold defined resources that are likely to be mined profitably in the short-term or projects that are believed to have the potential to develop into mining operations in the short term even though no resources have been defined). On the other hand exploration tenements that have no defined attributes apart from interesting geology or a 'good address' may well trade at a discount to technical value. Deciding upon the level of discount or premium is entirely a matter of the Specialist's professional judgement. This judgement must of course take account of the commodity potential of the tenement, the proximity of an asset to an established processing facility and the size of the land holding.

Agricola's Valuation methodology

It is Agricola's opinion that no single valuation approach should be used in isolation as each approach has its own strengths and weaknesses. Where practicable, Agricola undertakes its valuations using a combination of valuation techniques in order to help form its opinion.

Mineral Resource estimates

For the valuation of Jupiter's Mineral Resource and conceptual target estimates, Agricola's approach is to value these assets by assigning a dollar value to the insitu metal. To establish a benchmark market value for in-ground metal, Where possible, Agricola has completed a search of the publicly available information on recent market transactions over the preceding two to three year period. Agricola's search is not intended to be a definitive listing of all market transactions in this period, but rather a list of transactions which offer comparability to the projects in terms of reported tonnes, grade or the state of the project as a whole. The level of disclosure and complexity of some of the transactions reviewed, limited

Agricola's ability to assign meaningful cash equivalent values and these were therefore disregarded for the purpose of this analysis.

Exploration potential – Geofactor Rating Method

Having considered the various methods used in the valuation of exploration properties, Agricola is of the opinion that the Kilburn method provides the most appropriate approach to utilise in the technical valuation of the exploration potential of mineral properties on which there are no defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach which essentially requires the valuer to justify the key aspects of the valuation process. The valuer must specify the key aspects of the valuation process and must specify and rank aspects which enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC") which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC.

The Kilburn method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value. An overview of the factors influencing the current market is outlined in more detail in the section entitled: Market and commodity overview.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. Agricola is philosophically attracted to the Kilburn type of approach because it endeavours to implement a system that is systematic and defendable. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC, which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

It may be argued that on occasions an EL may be converted to a ML expediently for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a ML starting at a relatively high BAC compared to that of an EL. In Agricola's opinion, the multiplier factors incorporate and will value such a tenement appropriately.

GEOSCIENTIFIC RATING CRITERIA					
	Rating	Address - Off Property	Mineralization - On Property	Targets, Anomalies	Geology
	0		No possibility of mineralization in this environment		
Low	0.5	Very little chance of mineralization, Concept unsuitable to environment	Very little chance of mineralization, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Generally Unfavourable lithology
	0.75	No known Mineralization, Concept feasible	No known Mineralization, Concept feasible	Extensive previous exploration with good results - encouraging outlook	Generally Unfavourable lithology with structures
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered Generally favourable geology
	1.25	Exploratory sampling with encouragement, Concept validated	Prospective ground mapped, Concept validated	Single early stage targets outlined from geochemistry and geophysics	
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered Generally favourable geology (50-60%)
	1.75	RAB &/or RC Drilling with encouraging intercepts reported	RAB Drilling with some scattered results	Several broad targets outlined with some drilling	Exposed favourable lithology (50-60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
	2.25	Diamond Driling after RC with encouragement	Significant RC drilling leading to advance project status	Several well defined surface targets with some RAB & RC drilling	Exposed favourable lithology (70-80%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Driling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
	2.75	Advanced Resource definition drilling - early stage	Grid drilling with encouraging results on adjacent sections	Several well defined surface targets with encouraging drilling results on adjacent sections	Strongly favourable lithology (80-90%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (90 - 100%)
	3.5	Along strike or adjacent to known mineralization at Pre Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	
	4	Along strike or adjacent to Resources at Definitive Feasibility Stage	Along strike or adjacent to known mineralization at Pre Feasibility Stage	Marginal economic targets of significant volume - advanced drilling	
	4.5	Along strike or adjacent to Development Stage Project	Along strike or adjacent to Resources at Definitive Feasibility Stage	Marginal economic targets of significant volume - well drilled at Inferred Resource srage	
Very High	5	Along strike or adjacent to Operating Mine	Along strike or adjacent to Development Stage Project	Several significant ore grade correlatable intersections with estimated resources	

The multipliers or ratings and the criteria for rating selection are summarised in the table.

It has also been argued that the Kilburn method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the Specialist. In the case of assessing Jupiter's tenement portfolio, Agricola has also considered previous exploration expenditure and the value ascribed to various tenements currently under agreements with third parties. In Agricola's opinion, the costs for previous exploration can be used as a basis for assessment of mineral asset value.

In arriving at a technical value for the projects, Agricola has taken into consideration the company's equity position if the tenements are subject to a farm-in, joint venture or option to purchase arrangement. Agricola has elected to only value tenement applications where it is satisfied that there is no cause to doubt their eventual granting and where there is no pre-existing or related title.

Multiple of Exploration Expenditure

The cost approach to exploration property valuation is sometimes used as a secondary method to valuation of exploration properties not yet advanced enough to estimate mineral resources. Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of this method relies on the specialist assessing the extent to which past exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

The direct use of historical costs raises several issues:

- The exploration must be relevant
- The exploration must be effective
- Exploration companies accounting methods are different and administration can be excessive
- Old expenditure must be adjusted for time
- Duplication of work might have taken place
- Recommended PEMs do not have meaningful derivation

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account the specialist's judgment of the prospectivity of the tenement and the value of the database.

Prospectivity Enhancement Multiplier Factors		
PEM	**Criteria**	**Exploration Work**
0.2-0.5	Exploration (past and present) has downgraded the tenement prospectivity. No mineralised zones identified.	
0.5-1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity with targets available from regional mapping	Regional Mapping, Satellite imagery, Airborne regional geophysics
1.0-1.25	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity	Geological Mapping, geochemistry, geophysics
1.25-1.5	Exploration has considerably increased the prospectivity by identifying surface anomalies	Geological Mapping, geochemistry, geophysics
1.5-1.75	Exploration has considerably increased the prospectivity by defining shallow anomalies possibly relating to deeper mineralisation	Trenching, shallow RAB drilling
1.75-2.0	Scout drilling has identified interesting intersections of mineralisation	RAB drilling, isolated RC drilling
2.0-2.5	Detailed Drilling has defined targets with potential economic interest with the potential to contain medium sized deposits. Small Inferred Resources may be estimated.	RC drilling and some DD drilling
2.5-3.0	A medium sized Inferred resource has been defined. Scoping Study level.	Grid RC drilling and some DD drilling
3.0-4.0	Indicated Resource for medium to large deposit have been identified that are likely to form the basis for a Pre Feasibility Study.	Infill RC drilling and some DD drilling
4.0-5.0	Indicated and Measured Resources have been identified and economic parameters are determined to allow conversion to Reserves. Definitive Feasibility level.	Feasibility Study investigations

VALUATION ASSESSMENT – BLACKALL COAL PROJECT

Coal Assets Classification	
Pre-development projects	*Coal Assets with Feasibility Studies* - 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; • **Projects:** none *Valuation Methods: Comparable Transactions*, ***Discounted Cash Flow*** *(if Ore Reserves have been estimated)*
Advanced exploration projects	*Coal Assets with Mineral Resources* - 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; **Projects:** Valued as Exploration potential *Valuation Methods:* ***Unit Value - $/unit, Comparable Transactions****.*
Early stage exploration projects	*Coal Assets in the exploration stage* - Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified;

Projects: Blackall Coal Project (EPCs 1149, 1398, 1399) Blackall Coal Project (EPCs 1400, 1403, 1407) *Valuation Methods:* ***Geo Rating, Multiple of Exploration Expenditure***

Agricola's preferred valuation method is in bold print

The Blackall Project consists of three main coal areas within MDL464, EPC1398 and EPC1399. These permits host a combined Coal inventory of 3.44 billion tonnes of low ranking, high ash, low calorific thermal quality coal. In addition, an Exploration Target in the range of 2.0 to 2.5 billion tonnes has been identified with EPC 1398 and EPC 1399. References to Reported Exploration Targets are in accordance with the guidelines of the JORC Code (2012). The potential quantity and grade of the targets is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.

As a guide, Agricola estimates that 25% of the total coal resource is between zero and 50 metres below surface; 25% of the total coal resource is between 50 and 100 metres below surface; and 50% of the total coal resource is below 100 metres below surface.

Implications of the JORC Code

THE JORC Code, Clause 42 - 44: Reporting of Coal Resources and Reserves

For purposes of Public Reporting, the requirements for coal are those for other commodities with the replacement of terms such as 'mineral' by 'coal' and 'grade' by 'quality'. Because of its impact on planning and land use, governments may require estimates of inventory coal that are not constrained by short- to medium-term economic considerations.

Marketable Coal Reserves', representing beneciated or otherwise enhanced coal product where modifications due to mining, dilution and processing have been considered, must be publicly reported in conjunction with, but not instead of, reports of Coal Reserves. The basis of the predicted yield to achieve Marketable Coal Reserves must be stated.

Since investors need to be informed on the products intended to be sold, reporting of Marketable Coal Reserves is required.

The JORC Code, Clause 20 & 21: Reporting of Mineral Resources

All reports of Mineral Resources must satisfy the requirement that there are reasonable prospects for eventual economic extraction (ie more likely than not), regardless of the classification of the resource. Portions of a deposit that do not have reasonable prospects for eventual economic extraction must not be included in a Mineral Resource. The basis for the reasonable prospects assumption is always a material matter.

The term 'reasonable prospects for eventual economic extraction' implies an assessment (albeit preliminary) by the Competent Person in respect of all matters likely to influence the prospect of economic extraction including the approximate mining parameters.

Interpretation of the word 'eventual' in this context may vary depending on the commodity or mineral involved. For example, for some coal, iron ore, bauxite and other bulk minerals or commodities, it may be reasonable to envisage 'eventual economic extraction' as covering time periods in excess of 50 years.

The Implications of Adani's Carmichael Project

IEEFA estimates a FOB cost A$61/t assuming a forward price of US$67-68/t. At the forward price, Carmichael would generate a A$2-3/t gross cash loss before covering debt financing costs, not giving any return to the equity investment.

Carmichael coal will not achieve the benchmark Newcastle price: IEEFA estimates that its high ash content and low calorific value means that there will be around a 30% discount on Carmichael coal due to its lower quality.

Agricola considers that the quality of the Blackall coal is similar, if not lower, with respect to high ash and calorific value and as a result would be in danger of failing the JORC test for reasonable prospects for eventual economic extraction.

Based on this consideration, Agricola has chosen to value the Blackall project on the basis of its exploration potential.

EXPLORATION PROJECTS – BLACKALL COAL PROJECT

EAST ENERGY RESOURCES Blackall Coal Project		Tenement Details			
Tenement	**Holder**	**Granted**	**Expiry**	**Status**	**Area, Km²**
Coal Resources Included					
EPC 1149	East Energy Resources Ltd	22/4/08	21/4/18	Live	559.80
MDL 464		20/7/14	31/7/19	Live	376.75
EPC 1398	IDALIA Coal Pty Ltd	29/6/11	28/6/19	Live	699.75
EPC 1399		24/8/10	23/8/18	Live	569.13
Exploration Tenements					
EPC 1400	IDALIA Coal Pty Ltd	24/8/10	24/8/18	Live	295.45
EPC 1403		12/10/10	11/10/17	Live	320.33
EPC 1407		26/8/10	25/8/20	Live	267.46

GEO-FACTOR RATING

The Geo Rating Method (also known as the Kilburn Method) attempts to convert a series of scientific opinions about a property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity. Several issues need to be addressed for exploration properties:

- Possible extensions of mineralisation from adjacent areas
- Exploration potential for other mineralisation within the tenements

The specialist must specify the key aspects of the valuation process and must specify and rank aspects, which enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC") which is the average cost incurred to acquire a base unit area (square kilometre) of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC.

The Geo Rating method (potential for further discoveries) is appropriate for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to assess the various elements of the Geo Rating Method.

It is recognised that the application of this method can be highly subjective, and that it relies almost exclusively on the ratings adopted by the specialist. As such, it is good practice for specialists using this method to provide sufficient discussion supporting their selection of the various multiplying factors to allow another suitably qualified geoscientist to assess the appropriateness of the factors selected.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. Agricola prefers the Geo Rating approach because it endeavours to implement a system that is systematic and defendable. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC, which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

It has been argued that the method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the specialist.

Base Acquisition Cost (BAC)

The Basic Acquisition Cost ("BAC") is the important input to the Geo Rating Method and it is assessing by estimating the statutory expenditure for a period of 12 months for a first stage exploration tenement such as an Exploration Licence (the first year holding cost). Advanced tenements such as Mining Leased may attract a higher BAC than early stage exploration Licences.

The Basic Acquisition Cost ("BAC") is the important input to the Geo Rating Method and it is estimated by estimating the statutory expenditure for a period of 12 months for a first stage exploration tenement such as an Exploration Licence (the first year holding cost).

Exploration Licences in Western Australia (effective 1 July 2017), for example, attract an application fee of $1362; minimum annual expenditure for the first three years of $20,000 minimum for 6 to 20 sub blocks and annual rent of $134 per sub block. Based on a centrally located block of 3.11 km^2 and assuming an application of 20 sub blocks, a 10% administration fee and the application fee spread over the 5 year term, this implies a holding cost (BAC) of $406 per square kilometre. Agricola's experience has confirmed this range to be appropriate for other parts of Australia where exploration or valuations have been carried out.

- *The Blackall Coal Project is valued on the basis of a **BAC of A$400 to A$450.***

Tenement Status

Uncertainty may exist where a tenement is in the application stage. Competing applications may be present where a ballot is required to determine the successful applicant or Native Title issues and negotiations may add to the risk of timely grant. Other issues may also be present such as state parks or forestry and wildlife reserves, competing land use and compensation agreements. There is an inherent risk that the tenement may not be granted and this needs to be recognised in the base value assessment. A 'grant factor' of zero may be applied where there is no realistic chance of approval (e.g. sacred sites) and where no significant impediments are known the factor may increase to about 60% to reflect delays and compliance with regulations.

- *The Blackall coal tenements are all granted and attract a 'grant factor' of 100%*

Equity

The equity a Company may hold in a tenement through joint venture arrangements or royalty commitments may be addressed in assessing base value but it is often considered separately at the end of a valuations report.

- *The Blackall col project is valued on the basis of 100% equity.*

EAST ENERGY RESOURCES	**Base Acquisition Cost (BAC)**			
Blackall Coal Project			**BAC, A$**	
Tenement	**Grant**	**Equity**	Low	High
Coal Resources Included				
EPC 1149	100%	100%	400	450
MDL 464	100%	100%	400	450
EPC 1398	100%	100%	400	450
EPC 1399	100%	100%	400	450
Exploration Tenements				
EPC 1400	100%	100%	400	450
EPC 1403	100%	100%	400	450
EPC 1407	100%	100%	400	450

Prospectivity Assessment Factors

Geo Ratings

The Geo Rating (Kilburn) method provides the most appropriate approach to utilise in the technical valuation of the exploration potential of mineral properties on which there are no defined resources.

The Kilburn method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property.

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;
- geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;
- geological patterns and models appropriate to the property being valued.

The geo factors were arrived at after careful consideration of the results so far obtained and the potential for future discoveries.

Geo Factor Assessment

- *Off Site*

Physical indications of favourable evidence for mineralisation, such as workings and mining on the nearby properties, which may or may not be owned by the company being valued. Such indications are mineralised outcrops, old workings through to world-class mines;

The Blackall Coal project is located in the Adavale sub basin of the Eromanga Basin in Central Queensland. Some drilling has been carried out on other tenements in the search for oil and gas and coal measures were encountered on scout holes. Tenements for coal have been taken up by other companies surrounding the Blackall project that have encountered coal in drill holes. Some encouragement has been returned that demonstrated that the Adavale basin contains wide spread coal measures of low quality.

The Blackall Coal Project is categorised as 'RAB Drilling with some scattered results/ RAB &/or RC Drilling with encouraging intercepts reported'

A rating of **1.50 to 1.75** has been ascribed to all tenements in the Project.

- *On Site*

Local mineralisation within the tenements and the application of conceptual models within the tenements. Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;

Extensive drilling by East Energy and Idalia have indicated the wide spread distribution of coal measures. Coal Resource Estimates have been carried out and are valued separately in this report. Substantial Exploration Targets have been identified in adjacent areas to the Coal Resources. Coal measures are believed to exist at considerable depth within the tenements based on stratigraphic drilling.

The EPCs 1149, 1398 and 1399 is categorised as 'Advanced Resource definition drilling - early stage/ Resource areas identified'.

A rating of **3.0 to 3.5** has been ascribed to EPCs 1149, 1398 and 1399 in the Project.

The EPCs 1400, 1403 and 1407 is categorized as 'Prospective ground mapped, Concept validated/ Exploratory sampling with encouragement, Concept validated'.

A rating of **1.25 to 1.5** has been ascribed to EPCs 1400, 1403 and 1407 in the Project.

- *Anomalies*

Identified anomalies warranting follow up within the tenements. Geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;

Deeper scout drilling within the tenements have indicated coal measures that extend beyond the coal resources and exploration targets. These are targets for further exploration in the future that may add to the resource inventory. Coal measures are believed to be deep.

The EPCs 1149, 1398 and 1399 is categorised as 'Several well defined surface targets with some RAB drilling/ Several well defined surface targets with some RAB & RC drilling'.

A rating of **2.0 to 2.25** has been ascribed to EPCs 1149, 1398 and 1399 in the Project.

The EPCs 1400, 1403 and 1407 is categorized as 'Extensive previous exploration with encouraging results - regional targets/ Single early stage targets outlined from geochemistry and geophysics'.

A rating of **1.0 to 1.25** has been ascribed to EPCs 1400, 1403 and 1407 in the Project.

- *Geology*

The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors. Geological patterns and models appropriate to the property being valued;

The exploration work by East Energy and Idalia have clearly demonstrated the presence of extensive coal measures within the Adavale Basin. The coal outcrops in the area of the coal resource estimates and has been traced down dip with exploratory drilling. The tenement block overlies a coal bearing units of the Eromanga Basin.

The Blackall coal project is categorised as 'Shallow alluvium Covered Generally favourable geology (50-60%)/ Exposed favourable lithology (50-60%)'

A rating of **1.50 to 1.75** has been ascribed to all tenements in the Project.

- *Prospectivity Index*

Prospectivity Index = [Off Site Factor]x[On Site Factor]x[Anomaly Factor]x[Geology Factor]

- *EPCs 1149, 1398 and 1399 - include the coal inventory estimated by the company* **– 13.5** to **24.1**
- *EPCs 1400, 1403 and 1407 -include the exploration potential estimated by the company* **- 2.8** to **5.7**

Base Value

The base value represents the exploration cost for a set period of the tenement adjusted for the grant status of the Tenement and the equity held. The current Base Acquisition Cost (BAC) for exploration projects or tenements at an early stage is the average expenditure for the first year of the licence tenure. This is considered to be a BAC of A$400 to A$450 per square kilometre

Technical Value

An estimate of technical value has been compiled for the tenements based on the base value, and ratings for prospectivity. For the purpose of this valuation the preferred value is selected at 40% of the difference between Low and High estimates.

EAST ENERGY RESOURCES							
Blackall Coal Project	**Base Value**		**Prospectivity Index**		**Technical Value Rate, A$/km2**		
	Low	**High**	**Low**	**High**	**Low**	**High**	**Preferred**
Blackall Coal Project							
Coal Resources Included							
EPC 1149	400	450	13.5	24.1	5,400	10,900	7,600
MDL 464	400	450	13.5	24.1	5,400	10,900	7,600
EPC 1398	400	450	13.5	24.1	5,400	10,900	7,600
EPC 1399	400	450	13.5	24.1	5,400	10,900	7,600
Exploration Tenements							
EPC 1400	400	450	2.8	5.7	1,100	2,600	1,700
EPC 1403	400	450	2.8	5.7	1,100	2,600	1,700
EPC 1407	400	450	2.8	5.7	1,100	2,600	1,700

Base Value = [Grant Factor][Equity Factor]*[BAC]*

Prospectivity Index = [Off Site Factor][On Site Factor]*[Anomaly Factor]*[Geology Factor]*

Technical Value Rate/km2 = [Base Value][Prospectivity Index]*

Preferred Value = 40% of the diference from Low to High

Technical Value Rate is quoted at A$/square kilometres

There is a small overlap between MDL 464 and EPC 1149. This is estimated at 5% of the area of EPC 1149. For the valuation assessment the area of EPC 1149 has been reduces by 5% to avoid duplication or double counting.

EAST ENERGY RESOURCES		*Summary Technical Value, A$M*		
Blackall Coal Project	**Area, km2**	**Low**	**High**	**Preferred**
Coal Resources Included				
EPC 1149	531.81	2.87	5.80	4.04
MDL 464	376.75	2.03	4.11	2.86
EPC 1398	699.75	3.78	7.63	5.32
EPC 1399	569.13	3.07	6.20	4.33
Exploration Tenements				
EPC 1400	295.45	0.32	0.77	0.50
EPC 1403	320.33	0.35	0.83	0.54
EPC 1407	267.46	0.29	0.70	0.45
Total		**12.73**	**26.03**	**18.05**

*Summary Technical Value = [Area] * [Technical Value Rate]*

MULTIPLE OF EXPLORATION EXPENDITURE

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account the specialist's judgment of the prospectivity of the tenement and the value of the database.

Never the less the method provides a useful second method to assess the value of the Blackall coal project.

CATEGORY	TECHNICAL APPRAISAL	APPLICABLE PEM RANGE
1	Limited potential for mineralisation of economic significance and/or prospectivity has been downgraded by exploration carried out prior to valuation date.	0.5 – 0.9
2	Exploration data (historical and/or current) consists of pre-drilling surveys with results sufficiently encouraging to warrant further exploration.	1.0 – 1.4
3	One or more prospects defined by geology, geochemistry and/or geophysics to the extent they present drill targets having likely economic potential.	1.5 – 1.9
4	One or more targets with significantly mineralised drill hole intersections within a clearly prospective geological context.	2.0 – 2.4
5	Exploration well advanced and infill drilling warranted in order to define or up-grade to the stage that mineral resources can be estimated.	2.5 – 2.9
6	Indicated resources have been defined but a pre-feasibility study has not recently been completed.	3.0

An allowance of 20% for administration costs is deducted from the Company's total expenditure to estimate direct exploration expenditure

Most of the exploration work was carried out on EPC 1149 and to a lesser extent on EPC 1399 where the bulk of the Mineral Inventory is located. The mineral Resource for EPC 1149 and EPC 1398 was announced in September 2012. The mineral Resource for EPC 1399 was announced in July 2013. Exploration Expenditure has been estimated for regional work and resource drilling up to these dates.

MDL 464 was applied for the cover the existing mineral inventory and no PEM value is ascribed to this tenement.

SUMMARY					
	Period	Administration	Regional	Resource	Total
EPC 1149	2009 to 2012	$2.43	$3.65	$6.08	$12.16
MDL 464	2014	$0.17	$-	$-	$0.17
EPC 1398	2012	$0.11	$0.11	$0.33	$0.54
EPC 1399	2011 to 2013	$0.70	$0.56	$2.25	$3.51
EPC 1400	2011 to 2013	$0.09	$0.35	$-	$0.44
EPC 1403	2011 to 2013	$0.06	$0.23	$-	$0.29
EPC 1407	2011 to 2013	$0.06	$0.25	$-	$0.31
Total		$3.62	$5.15	$8.65	$17.43

Exploration Expenditure for the Blackall Coal Project

EAST ENERGY RESOURCES							
Blackall Coal Project		**Expenditure**	**PEM**		**Market Value, A$M**		
Tenement		**A$M**	**Low**	**High**	**Low**	**High**	**Preferred**
Coal Resources Included							
EPC 1149	Resource	6.08	2.00	2.25	12.16	13.68	12.77
	Regional	3.65	1.00	1.25	3.65	4.56	4.01
MDL 464	Admin.	-	-	-	-	-	-
EPC 1398	Resource	0.33	2.00	2.25	0.65	0.74	0.69
	Regional	0.11	1.00	1.25	0.11	0.14	0.12
EPC 1399	Resource	2.25	2.00	2.25	4.49	5.06	4.72
	Regional	0.56	1.00	1.25	0.56	0.70	0.62
Exploration Tenements		-					
EPC 1400	Regional	0.35	1.00	1.25	0.35	0.44	0.39
EPC 1403	Regional	0.23	1.00	1.25	0.23	0.29	0.26
EPC 1407	Regional	0.25	1.00	1.25	0.25	0.31	0.27
Total		**13.80**			**22.46**	**25.91**	**23.84**

Valuation Summary

In forming its opinion of the reasonable technical value of the Blackall Coal Project, Agricola has taken guidance from the Geo- Scientific (Kilburn) method. And the Multiple of Exploration Expenditure method Agricola has considered the current market, locality, and technical and strategic factors which it has assessed to have an impact on the development of the Project.

A comparison of valuation methods indicates that the MEE method produces a higher preferred value that the geofactor method.

EAST ENERGY RESOURCES	*Summary Technical Value, A$M*		
Blackall Coal Project	**Low**	**High**	**Preferred**
Valuation Method			
Geofactor	12.7	26.0	18.1
MEE	22.5	25.9	23.8

Agricola considers Multiples of Past Expenditure method has several issues, which are difficult to resolve.

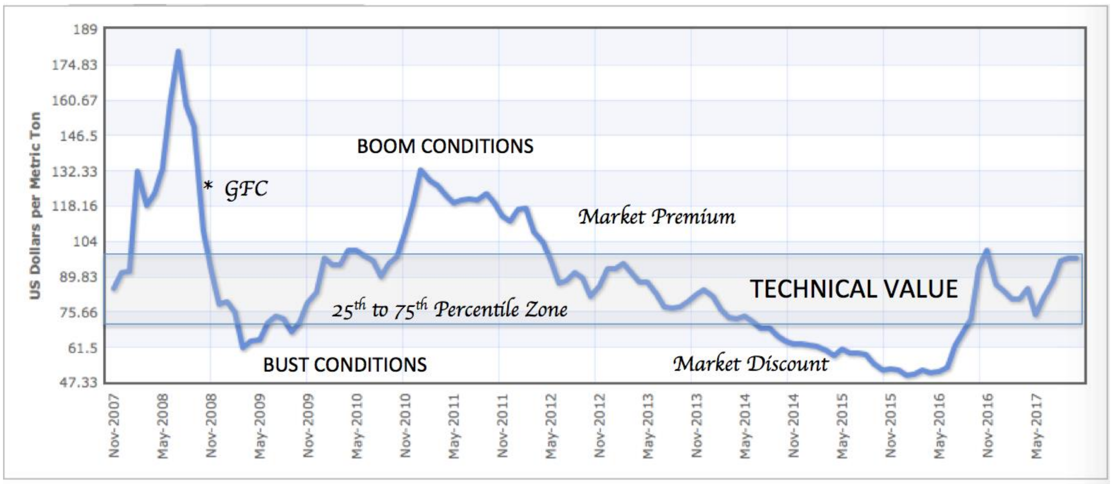
- The exploration must be relevant
- The exploration must be effective
- Exploration companies accounting methods are different and administration can be excessive
- Old expenditure must be adjusted for time
- Duplication of work might have taken place
- Recommended PEMs do not have meaningful derivation

Agricola favours a more conservative approach for the reasons indicated above and relies on the estimates of the Geo Factor method.

MARKET VALUE

Market Premium or Discount

Coal Assets are volatile in nature and show marked cyclicity. In boom times the market in Australia may pay a premium over the technical value for high quality Coal Assets (i.e. assets that hold defined resources that are likely to be mined profitably in the short-term or projects that are believed to have the potential to develop into mining operations in the short term even though no resources have been defined). On the other hand in times of bust conditions exploration tenements that have no defined attributes apart from interesting geology or a good address may well trade at a discount to technical value.



Description: Coal (Australia), thermal GAR, f.o.b. piers, Newcastle/Port Kembla from 2002 onwards , 6,300 kcal/kg (11,340 btu/lb), less than 0.8%, sulfur 13% ash; previously 6,667 kcal/kg (12,000 btu/lb), less than 1.0% sulfur, 14% ash

Australian Thermal Coal variations 2007 to 2017

A review of the Australian Thermal Coal prices over the last 10 years suggests that market premiums/discounts are in line with the estimated range of technical value for Newcastle benchmark coal. Other considerations may play a part in ascribing a premium of discount. Deciding on the level of discount or premium is entirely a matter of the technical expert's professional judgement. This judgement must of course take account of the commodity potential of the tenement, the proximity of an asset to an established processing facility and the size of the land holding.

The selection of Market factor is based on the high ash – low thermal value of the coal resources so far estimated, including the Exploration Target estimation. The Coal market is coming under increasing pressure to supply clean coal technologies.

Clean coal technologies reduce emissions of several pollutants, reduce waste and increase the amount of energy gained from each tonne of coal. They include various chemical and physical treatments applied pre- or post-combustion. They may be broadly divided into processes relating either to combustion efficiency or pollution control. Most of Australia's current coal-fired electricity-generating plants are of a conventional design, with typical efficiencies of about 33–35 per cent. This means that only about 35 per cent of the usable energy in the coal is actually converted into electricity. Much of the rest is waste heat. Plants with greater energy conversion efficiency (up to about 42 per cent) are possible with combined cycles that recycle heat using very high temperature steam.

The Adani Carmichael Mine – Influence on Market Value

Community attitudes have expressed disquiet over the Adani Carmichael Mine.

"Australians have come out as overwhelmingly against the Adani coal mine in regional Queensland going ahead – with a more than 3:1 ratio against of those who knew about the mine and had a view on the mine going ahead.

"Even in the home State of Queensland 60.5% of those who had a view on the Adani coal mine were against the mine going ahead compared to only 39.5% in favour of the mine. In other States this result was even more heavily against the mine with 86% of Victorians and 84% of Tasmanians of those who had a view on the mine being against the mine.

"The most common reasons given for opposing the mine was the environmental damage it would cause to the surrounding land – including farming land and the local water table, and also the downstream negative impact on the environmental health of the Great Barrier Reef.

"There were also significant concerns about the Government investing taxpayers money in coal mining which contributes significantly to carbon dioxide emissions instead of renewable energy and several questioned the ethics of the Adani company itself and whether it was an appropriate company to invest Government money.

"Those in favour of the mine had a simple message – the mine would create jobs, jobs, and more jobs for a region that desperately needs increased economic activity and add to the development of the region, Queensland, and even the broader Australian economy with the export income the mine would earn."

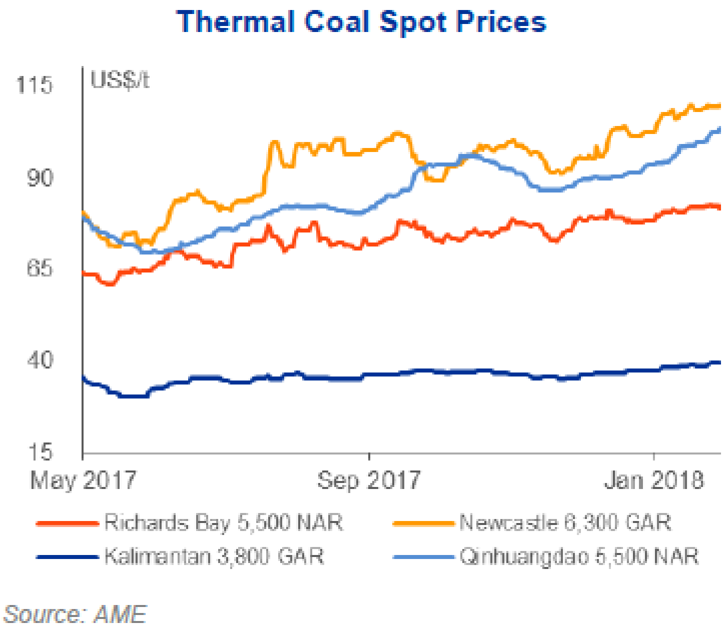
Source: Roy Morgan Research, October 13 2017, Finding No. 7364, Topic: Press Release Public Opinion Special Poll

Price Forecasts

The Japanese Fiscal Year premium thermal contract price is likely to increase in 2018 for the April 2018–March 2019 year, before falling in 2019, as new production comes onto the export market in response to high prices, and China relaxes its domestic production restrictions.

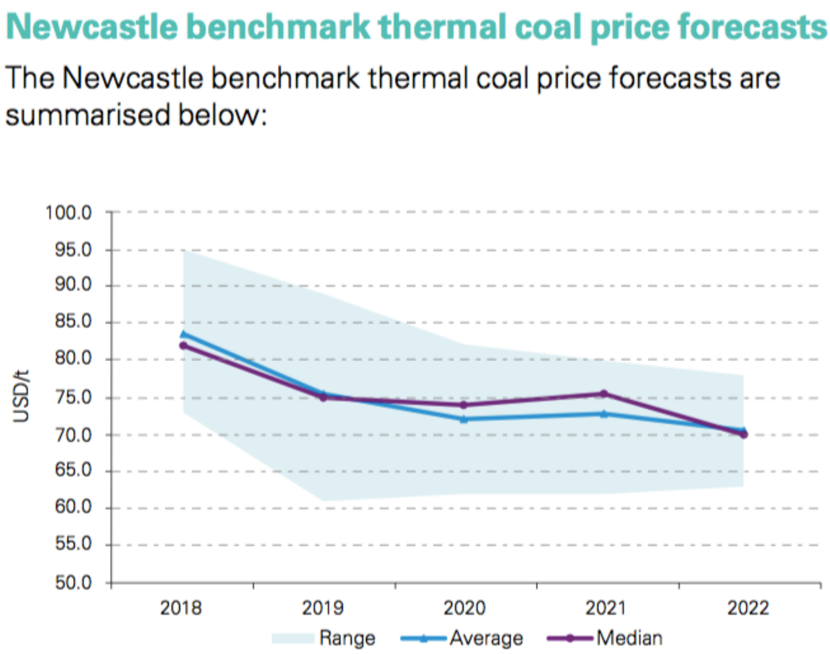
In January, the spot price for premium Australian thermal coal averaged US$108/t FOB Newcastle, up 10% from December. The price gradually increased to over

US$109/t in mid-January from US$103/t at the start of the month. The spot price for Newcastle high ash thermal coal averaged US$84/t in January, a rise of 2% on month due to strong demand from China..



Source: https://www.amegroup.com/Website/CommodityFocusDetail.aspx?faCommId=8

Consensus coal price forecasts from KPMG suggest a drop in Newcastle benchmark thermal price from current levels to US$70/t in 2022. If the Carmichael Mine is used as a comparison then the Blackall coal might be expected to attract a price significantly lower than that (~US$50/t).



Source: KPMG, Coal Price and Fx Market Forecasts, December 2017/January 2018

This Coal Asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer Test* after the Australian High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its “highest and best use”.

Applying the Spencer Test may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during ‘boom’ conditions or a depressed market during ‘bust’ conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

The future market outlook for premium Newcastle benchmark coals suggests deterioration in price that will be reflected in the perceived future value of the Blackall Coal Project (see earlier discussion on ‘reasonable prospects for eventual economic extraction’).

Blackall Coal Quality – Discount to Benchmark Price

Both the Carmichael Mine and the Blackall Coal Project contain extremely low quality thermal coal. Australia’s benchmark thermal coal exports are high quality – as defined by the two parameters that set the pricing of export thermal coal – energy and ash content. The benchmark Newcastle thermal coal is 6,000kcal energy, and 12-14% ash. By comparison, the Blackall coal is estimated provide F1.60 product ash ranges from 11 to 15% (ad), with an average product yield of 81%. Average raw gross specific energy ranges from 15 to 17 MJ/kg, with the average F1.60 product energy ranging from 19 to 21 MJ/kg (4540 to 5020 kcal/kg).

IEEFA has estimated the discount the Carmichael Mine might expect for its coal compared to the Newcastle benchmark.

Source: S&P Global Platts price sheet			
			Ash
Newcastle Benchmark (12-14% ash)	6,000	79.00	13%
Newcastle Benchmark	5,500	69.00	20%
Price discount (%)		-12.7%	
Price discount (US$)		-10.00	
Carmichael Coal	4,950		26%
Discount vs 5,500kcal	-10.0%		
Discount 5,500kcal vs 6,000kcal		-12.7%	
Discount vs 5,500kcal		-10.0%	
Discount 26% vs 20% ash		-7.3%	
Total Discount		-30.0%	

Source; IEEFA, 2017

Based on similar metrics, Blackall coal could expect a discount of 12.7% against the benchmark price and 13.6% for lower energy levels (4,750kcal vs 5,500kcal). Ash levels are expected t be 11% to 15%. Total discount might be 26.3%.

The Blackall Coal Project is likely to invest in a huge coal handling and preparation plant in order to improve the energy and ash content of the coal prior to shipping, but this is an expensive manufacturing process and it requires very significant volumes of water, which being contaminated in the process, subsequently needs to be disposed of. The Blackall Coal Project is located in a drought prone, water stressed area, making this coal washing process at risk of prolonged disruption.

In the light of the identified coal inventory and exploration target, low coal quality, relatively remote location with respect to infrastructure, elements of low country risk, community attitudes and changing economics the Blackall coals would attract **a market discount of 25%** (Market Factor 75%) that has been applied to the mineral inventory ground (EPC1149, 1398 and 1399, including MDL 464) and exploration ground (EPC 1400, 1403 and 1407). The Market factor is applied to the technical value of the coal resources.

EAST ENERGY RESOURCES		*Market Value, A$M*		
Blackall Coal Project	**Factor**	**Low**	**High**	**Preferred**
Coal Resources Included				
EPC 1149	75%	2.15	4.35	3.03
MDL 464	75%	1.53	3.08	2.15
EPC 1398	75%	2.83	5.72	3.99
EPC 1399	75%	2.30	4.65	3.24
Exploration Tenements				
EPC 1400	75%	0.24	0.58	0.38
EPC 1403	75%	0.26	0.62	0.41
EPC 1407	75%	0.22	0.52	0.34
Total		**9.55**	**19.52**	**13.54**
Market Value = [Market Factor][Summary Technical Value]*				

The market valuation for the Coal resources is based on a combined JORC Total Coal Resource Estimate of 3.44 billion tonnes of low ranking thermal quality coal. In addition, an Exploration Target in the range of 2.0 to 2.5 billion tonnes has been identified with EPC 1398 and EPC 1399. All reports of Mineral Resources must satisfy the requirement that there are reasonable prospects for eventual economic extraction (ie more likely than not), regardless of the classification of the resource. Agricola believes that this condition is overshadowed by the information on the Carmichael mine of similar quality to Blackall. Adani plans to mine 4,166 million tonnes from open cut; 800 million tonnes from underground for a total of 4,966 million tonnes over a mine life of 92 years. The concept is not unlike Blackall in size and quality though eventual development of the entire resource will probably proceed for many decades.

Taking this into account and being mindful of the Spencer test, Agricola considers that the valuation range of A$9.6 to A$19.5 million with a preferred value of A$13.5 million is reasonable for the Blackall Coal Project.

MARKET CAPITALISATION, ENTERPRISE VALUE AND BOOK VALUE

Agricola has reviewed alternative comparative valuation methods as set out in Regulatory Guide 111: Content of expert reports (RG 111) at RG 111.65, which considers that "an expert should, where possible, use more than one valuation methodology. We consider this reduces the risk that the expert's opinion is distorted by its choice of methodology. We also consider that an expert should compare the figures derived from using the different methodologies and comment of any differences".

Alternative methods such as Market Capitalisation (MCap) and Enterprise Value (EV) are not prohibited by RG111 to form the basis of comparable transaction analysis. Both MCap and EV include elements relating to corporate valuation such as cash and debt levels, management skills and reputation and many others, which are independent of mineral asset values.

The acquisition may include many commercial aspects, which do not directly relate to the mineral asset and may not be the same for another independent purchaser. Aspects of MCap and EV are often considered within the framework of an 'Independent Expert's Report' (IER), which may consider an Independent Technical Report (ie a mineral asset valuation report) as a component of its deliberations. In addition, the top down approach is an accounting method that ignores intangibles paid to acquire assets and is not a direct valuation of the mineral or land assets.

The 'Book Value' which companies carry the mineral assets does not necessarily reflect the mineral asset valuation on any particular day. This is an accounting practice and a requirement of proper corporate auditing and may be held steady for long periods as a matter of convenience and expediency.

The true value of a mineral asset (under the Spencer Test) could vary significantly in the short term (sometimes daily or weekly) and this implies that 'Book Value' may not be the value at which an asset is sold.

A good example of this is the recent write down by BHP Billiton who announced an impairment charge of US$4.9 billion against its Onshore US Assets. The actual value of the assets had not changed in the real world and had been dropping for some time. There was an immediate drop in Book Value to bring the asset value back into line. In other words there is a large element of intangibles that may exist in book value of assets acquired that do not form part of the value of the mineral reserves and land interests

Control Premium

It is clear from market transactions that the acquisition of a company as a going concern commands a premium for the benefits such as an operating in situ business with existing contracts, employment and staff, including native title, supply and business operations. There are costs savings in not having to "ramp up" a business to get to the profit stage, these benefits are often paid as a premium for the share acquisition to the land interests and reflected in the share purchase price.

It is well established that on average, premiums of between 20% and 50% are paid for the benefit of the shares in an operating entity. Rudenno (2012, p 304) estimated the premium paid for takeovers in the resources sector is generally in the range of 20% to 35% calculated an average resources adjusted takeover premium as the difference between the closing price the day before the bid announcement and the initial offer price for a value of 33.1 %. The premium over the independent valuation of the company indicated an adjusted average of 30% and an adjusted median of 27.8%. RSM Bird Cameron (2017) calculated a premium for 134 resource companies of 29.9%, 32.4% and 35.8% for 2, 5 and 20 days prior to the bid or scheme of arrangement announcement respectively, a significant increase over previous years.

Enterprise Value versus Mineral Asset Value

The market value of a mining company's project(s) (adjusted market capitalisation (AMC) or enterprise value (EV)) is estimated from the market value of the company (market capitalisation) that holds the project(s), or from corporate transaction value (merger or acquisition value), as follows:

Enterprise Value =
Market value of company (Market Capitalisation)
Less Financial assets and obligations
Working capital
Value of other investments
Value of hedge book
Liabilities
Less Goodwill
= Implied market value of mining projects + Mining Information

The basic principle is that in addition to giving value to the projects held by a mining company, the market also takes account of corporate items such as goodwill, working capital, debt, hedge book value, other investments, etc in deciding what to pay for the company as a whole. The company's market value must therefore be adjusted by the value of these other items to estimate the value attributed by the market to the mining projects themselves. Note that if a company has an advanced project not yet in production, the company value may be adjusted by the capital required to achieve production, if the valuator wants to estimate and compare project values on an in production basis.

Agricola considers that the expectation of future gain is the main driver for mineral asset valuation of exploration projects as it endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). The preferred methods (in Agricola's opinion) are the **Comparable Transaction** method for mineral resources and the **Geo Rating** and **Multiple of Exploration Expenditure** methods for exploration tenements.

PROJECT RISKS

Agricola has identified a range of risk elements or risk factor which may affect the future operations and financial performance of the Blackall Coal Project. Some of the risk factors are completely external, which is beyond the control of management. However, the project specific risk can be mitigated by advance planning.

Resources & Reserve Risk

The Coal Resource estimated under JORC 2004 (~2 billion tonnes) and JORC 2012 (~1.5 billion tonnes) within the Blackall Coal Project has been categorised as Indicated and Inferred Resources (18% Indicated, 82% Inferred). This is considered insufficient to compile a Scoping Study at this stage. It is possibly that the coal resource can be upgraded to JORC Code 2012 standard but significant extra drilling will be required to convert the Inferred Resource to Indicated Resource or above. No Ore Reserve has been defined at on any of the tenements.

It may be possible that further technical studies may not result in a development of Ore Reserve which would have a material impact on the value of the project.

Coal Processing Risk

A very limited Coal Processing Study has been conducted. Although favourable results have been obtained from the limited samples test work conducted so far, detailed mineral processing test work is required to ascertain the specification of marketable coal.

It may be possible that unfavourable results from the future samples may jeopardise project viability.

Commodity Price Risk

Thermal coal price and its demand are cyclical in nature and subject to significant fluctuations, and any significant decline in the prices of these or demand could materially and adversely affect the Company's business and financial condition results of operations and prospects. Commodity markets are highly competitive and are affected by factors beyond the Company's control which include but not limited to:

- Global Economic Condition;
- Government and Central Banks actions; and
- Fluctuations in industries with high coal demand.

If there is a fall in long term coal prices, there would be a substantial reduction in the viability of the project.

Mine Infrastructure Associated Risk

Although, accessibility of the project is good with existing road infrastructure, a significant mine rail infrastructure facility needs to be developed before commencement of mining activity.

Mining Approvals, Tenure, and Permits

During mining, many government permits and approvals may be required to ramp up the capacity and the associated infrastructure facilities. Any delays in obtaining the required approvals may affect the production expansion and the mine plan. This may likely cause the project to overrun which may significantly affect project capital and operating costs.

MDL464 was granted for a period of 5 years, with a commencement date from 1 August 2014. The MDL covers some 37,000a over the central portion of the main coal resource where initial mining is most likely to occur should the project proceed.

It is also possible that delays to land access and associated interruptions may occur in the future and that this may have a material impact on the value of the concession.

Environmental and Social Risks

While environmental and social risks have been identified and management plans will be prepared, it is possible that failure to comply with the environment criteria or failure to maintain good relationships with the local community will have an impact on the project. These risks are not considered to be greater for these projects than any other coal project.

Geotechnical Risk

Some sections of the Blackall Coal Project has potential to be extracted using underground mining method. Geotechnical drilling may be needed to further ascertain the roof and floor condition of the mine. Unfavourable results from further geotechnical assessments may alter the mine plan which may in turn have material impact on the value of project.

VALUATION OPINION

Based on an assessment of the factors involved, the estimate of the market value for 100% equity in the Company's Blackall Coal Project, is in the range of A$9.6 million to A$19.5 million with a preferred value of A$13.5 million.

This valuation is effective on 19 February 2018.

This Coal Asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). *It applies to the direct sale of existing equity in the projects at the date of this Report.*

REFERENCES

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VALMIN, 2015. Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (VALMIN Code) Available from: http://www.valmin.org/docs/VALMIN_Code_2015_final.pdf [Accessed: 12 September 2017].

ANNEXURE B - ASSOCIATES OF NOBLE

General Alumina Jamaica LLC

Maylion Pty Ltd

Mt Vincent Holdings Pty Limited

Noble Americas Corp.

Noble Chartering Inc.

Noble Chartering Limited

Noble Clean Fuels Limited

Noble Netherlands B.V.

Noble Petro Inc.

Noble Resources Group Limited

Noble Resources International Australia Pty Ltd

Noble Resources Limited

Noble Resources International Pte Ltd.

Noble Resources (Shanghai) Company Limited

Noble Resources UK Limited

Osendo Pty Limited

San Juan Fuels, LLC

Stamports Inc.

Stamports UK Limited

East Energy Resources Limited
ABN 66 126 371 828

<Shareholder name>
<Shareholder addres>

LODGE YOUR VOTE ONLINE

ONLINE VOTE
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MOBILE DEVICE VOTE
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.

Sub-Register	CHESS
HIN / SRN	

ANNUAL GENERAL MEETING - VOTING/PROXY FORM

I/We being shareholder(s) of East Energy Resources Limited and entitled to attend and vote hereby:

STEP 1

APPOINT A PROXY

☐ The Chairman of the meeting **OR** ____________

PLEASE NOTE: If you leave the section blank, the Chairman of the Meeting will be your proxy.

If no individual(s) or body corporate(s) is named, the Chairman 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 **Bentleys, Level 3, London House, 216 St Georges Terrace, Perth WA on 23 May 2018 at 11.00 (WST)** and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1 and 4 (except where I/we have indicated a different voting intention below) even though these Items are connected directly or indirectly with the remuneration of a member(s) of key management personnel, which includes the Chairman. The Chairman of the Meeting intends to vote all undirected proxies available to them in FAVOUR of items 1 to 3, and AGAINST item 4 (if required)

STEP 2

VOTING DIRECTIONS

Agenda Items	For	Against	Abstain*	Chairman
1 Adoption of Remuneration Report	☐	☐	☐	FOR
2 Re-election of Director – Mr Rex Littlewood	☐	☐	☐	FOR
3 Approval of Issue of Shares to Noble Group Limited	☐	☐	☐	FOR
CONTINGENT BUSINESS **Please Note: Item 4 will only be considered at Annual General Meeting if the conditions described in the Notice of Meeting are satisfied.**				
4. Spill Resolution (if Required)	☐	☐	☐	AGAINST

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

STEP 3

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

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 Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, 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. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman will be your proxy.

DEFAULT TO THE CHAIRMAN OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not vote on a poll in accordance with your directions or does not attend the Meeting, then the proxy appointment will automatically default to the Chairman of the Meeting, who is required to vote the proxies as directed.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item 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 item 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 item, your proxy may vote as they choose to the extent they are able. If you mark more than one box on an item, your vote on that item will be invalid.

PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chairman) 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 Items 1 and 4, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Items 1 and 4

PLEASE NOTE: If you appoint the Chairman as your proxy (or if they are appointed by default) but do not direct them how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), you will be expressly authorising the Chairman to vote as they see fit on that item.

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:

(a) 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

(b) Return both forms together.

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 (Cth)) 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 VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 11.00 am (WST) on 21 May 2018, 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 VOTE
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 9262 3723

BY EMAIL
admin@advancedshare.com.au

IN PERSON
Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or

ALL ENQUIRIES TO
Telephone: +61 8 9389 8033