

31 January 2015

CIRCUMSTANCES AFFECTING PRELIMINARY FINAL REPORT

COMPANY DIRECTORS & MANAGEMENT

Directors

Managing Director	Yu Guo Peng
Non-Executive Chairman	Chi Ho (James) Tong
Executive Director	Jun Ou
Non-Executive Director	John Wu ZhongHan
Non-Executive Director	Sophia Huang Wei-Her
Non-Executive Director	Prof Guangfu Yang

Management

Deputy General Manager	Zhong Xiao Zhu
Deputy General Manager, Enterprise Management	Yi Jiang Peng
Chief Financial Officer	Shao Kui Chen
Chief Geologist	WenMing Yeo
Deputy General Manager and Chief of the Production Technology Department	Jun Shao

ADDRESS

Australia

Level 23, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000
Australia

China

12th floor, No. 18
MianHua Street, YuZhong District
Chongqing, 400011, China

Blackgold International Holdings Limited (**Company**) refers to its preliminary final report announced to ASX on 31 December 2014 ("**Appendix 4E**"). The report disclosed that the Company's profit after income tax was AUD 25.5 million.

The Company's annual report announced to ASX on 30 January 2015 disclosed the Company's audited profit after income tax to be AUD5.0 million.

The difference is mainly due to an impairment loss of AUD21.5 million recognized for the financial year (*Note 16 and 18 of the notes to the financial statements*) and a reversal of restoration provision (*Note 26 of the notes to the financial statements*).

In preparing the Appendix 4E, the Company had considered the 4 mines it owned as a cash-generating unit ("**CGU**").

A recent valuation dated 28 January 2015 prepared by Asset Appraisal Limited ("AAL") had indicated that the value of the four mines was approximately AUD 475.5 million (RMB 2,565.8 million), which was higher than the aggregate carrying amount of the four mines' property, plant and equipment and mine development assets.

A copy of the valuation report is attached with this announcement.

While finalizing the audit of the Company, the auditors had advised that the mines should more appropriately be assessed as 4 different CGUs. This resulted in an impairment loss.

If not for the impairment, profit after income tax for the year ended 31 October 2014 should have been AUD 26.4 million.

END



Disclaimer

Certain statements included in this announcement, including information regarding Blackgold's plans with respect to its proposed dual listing and future production, constitute forward looking information. This information is based upon a number of estimates and assumptions made by the Company in light of its experience, current conditions and expectations of future developments, as well as other factors that the Company believes are appropriate in the circumstances. While these estimates and assumptions are considered reasonable, they are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, acquisition, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward-looking information is no guarantee of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking information due to the inherent uncertainty therein. Forward-looking information is made as at the date of this announcement and the Company disclaims any intent or obligation to update publicly such forward-looking information, whether as a result of new information, future events or results or otherwise.

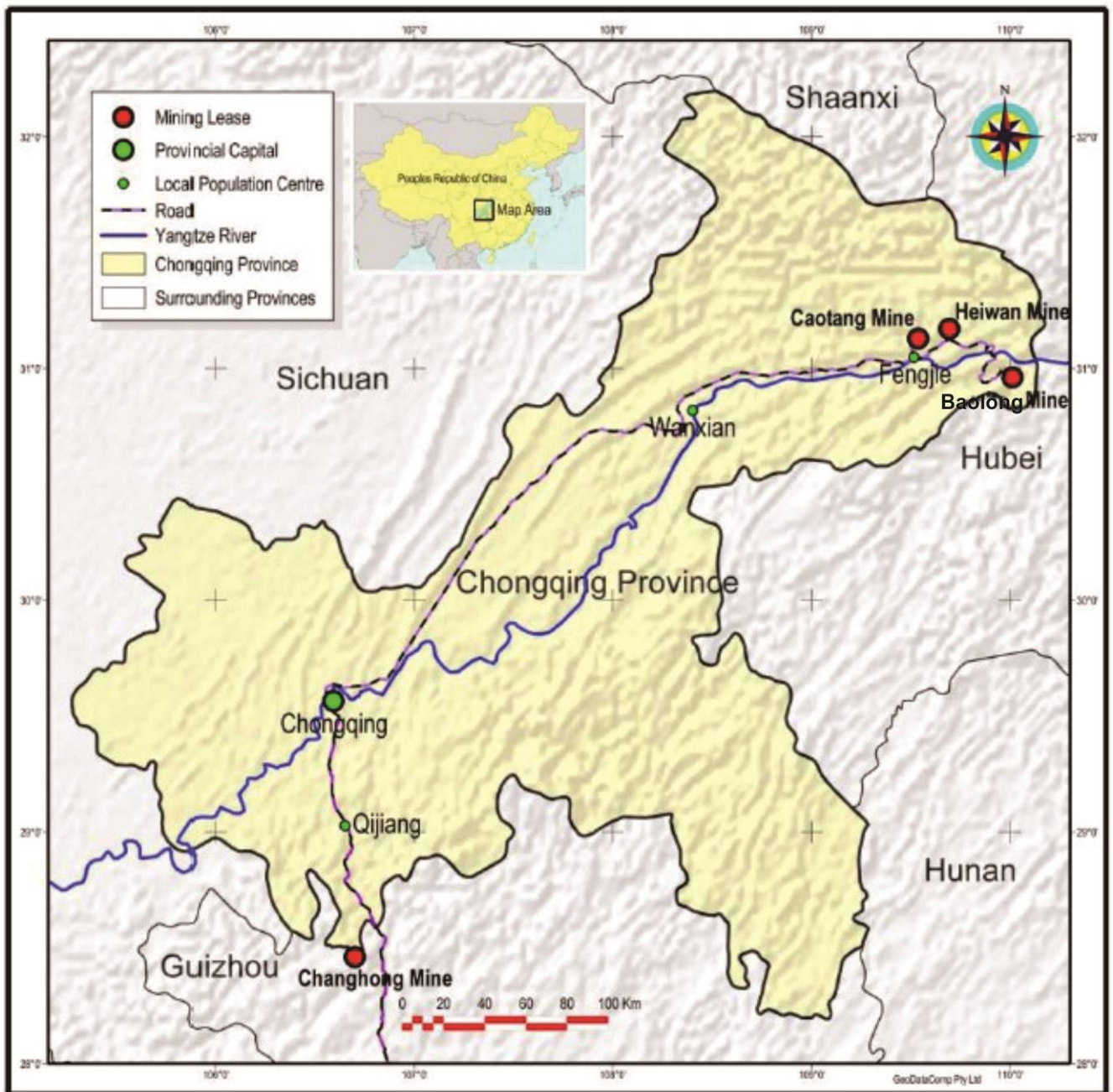
About Blackgold

Blackgold International Holdings Limited (ASX Code: BGG) is a Chongqing, China-based producer of high value thermal coal predominantly sold for industrial power generation to power plant customers in Shanghai. Blackgold listed on ASX on 22 February 2011. Blackgold intends to continue to increase its coal production through internal growth and via acquisition to become a significant producer of high value thermal coal.

Blackgold currently operates four existing underground thermal coal mines, the Caotang Mine and the Heiwan Mine in Fengjie Country, Chongqing in the PRC, the Baolong Mine in Wushan County, Chongqing in the PRC and the Changhong Mine in the area bordering Xishui County of Guizhou and QiJiang County of Chongqing.



LOCATION OF BLACKGOLD'S MINES





Asset Appraisal Limited
中誠達資產評估顧問有限公司

Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

VALUATION
OF
COAL MINING PROJECTS
OF
BLACKGOLD INTERNATIONAL HOLDINGS LIMITED
IN
CHONGQING CITY
THE PEOPLE'S REPUBLIC OF CHINA

FOR

BLACK GOLD INTERNATIONAL
HOLDINGS LIMITED

PREPARED BY
ASSET APPRAISAL LIMITED
28 JANUARY 2015

CONTENTS	PAGE
INSTRUCTIONS	1
SOURCE DATA AND INFORMATION	3
COAL INDUSTRY IN THE PRC	4
DESCRIPTION OF CAOTANG COAL MINES	7
LOCATION AND BACKGROUND	7
COAL SEAMS AND COAL QUALITY	11
ESTIMATED COAL RESOURCES	12
MINING RIGHTS	13
DESCRIPTION OF HEIWAN COAL MINES	14
LOCATION AND BACKGROUND	14
COAL SEAMS AND COAL QUALITY	17
ESTIMATED COAL RESOURCES	18
MINING RIGHTS	18
DESCRIPTION OF BAOLONG COAL MINES	19
LOCATION AND BACKGROUND	20
COAL SEAMS AND COAL QUALITY	22
ESTIMATED COAL RESOURCES	23
MINING RIGHTS	24
DESCRIPTION OF CHANGHONG COAL MINES	25
LOCATION AND BACKGROUND	25
COAL SEAMS AND COAL QUALITY	29
ESTIMATED COAL RESOURCES	30
MINING RIGHTS	31
BASIS OF VALUATION	32
VALUATION METHODOLOGY	34
LIMITING CONDITIONS	39
OPINION OF VALUE	40
SENSITIVITY ANALYSIS	41
VALUER’S BIOGRAPHY AND DECLARATION	46
GENERAL SERVICE CONDITIONS	47



Asset Appraisal Limited

中誠達資產評估顧問有限公司

Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

Our Ref : AAL/AC/7522/15

Date : 28 January 2015

The Board of Directors

Blackgold International Holdings Limited

Level 12, No. 8 Mian Hua Street

Yuzhong District

Chongqing City

The People's Republic of China

Dear Sirs,

Re: Valuation of Coal Mining Properties of Blackgold International Holdings Limited in Chongqing City, the People's Republic of China (the "PRC")

INSTRUCTIONS

In accordance with the instructions from **Blackgold International Holdings Limited** (referred to as the "**Company**") to value the following coal mining properties (referred to as the "**Coal Mines**") owned by the Company:

- Caotang Coal Mine
- Heiwan Coal Mine
- Baolong Coal Mine
- Changhong Coal Mine

We confirm that we have inspected the Coal Mines, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the fair value of the Coal Mines as at **31 October 2014** (referred to as the "**Valuation Date**").

The objective of Asset Appraisal Limited (referred to as "**AAL**") is to assess the fair value of the Coal Mines in order to provide the Company with an independent valuation report on the Coal Mines suitable for accounting purpose. We must point out that this valuation report does not constitute a technical report and does not express opinions on the coal reserves / resources, legal title on mining tenement, technical issues and environmental considerations of the Coal Mines and their mining operations.

The work program for this valuation involved the following tasks:

- review of information provided by the Company, site visits to the Coal Mines in Chongqing, discussions with management of the Company and collection and review of documents provided to AAL. The Coal Mines were last inspected by us in March 2013; and
- analysis of the provided data and information and preparation of this valuation report.

The opinions expressed in this report have been based on the information supplied to AAL by the Company and information contained in *the Independent Technical Review of the Coal Mining Properties of Blackgold International Holdings Limited in Chongqing Special Economic Zone*, the People's Republic of China prepared and issued by Behre Dolbear Asia, Inc. (the "ITR"). AAL advises that the Company has represented to AAL that full disclosure has been made of all material information and that to the best of its knowledge and understanding, such information is complete, accurate and true.

Whilst AAL has exercised all due care in reviewing the supplied information, the accuracy of the results and conclusions expressed herein are entirely reliant on the accuracy and completeness of the supplied data and information. AAL has made reasonable enquiries and exercised our judgement on the reasonable use of such information, and found no reason to doubt the accuracy or reliability of the information. No responsibility is assumed by AAL for any errors or omissions in the supplied information and AAL does not accept any consequential liability arising from commercial decisions or actions resulting from them.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions, consideration of various factors that are relevant to the mining operations of the Company. This valuation has also involved projections by the Company's management, its geologists and mining experts on coal resources and reserves and mining operations. These are inherently forward looking statements which will necessarily differ from the actual performance of the Coal Mines. The variances in such projections result from the inherent uncertainties in the interpretation of geologic data, in variations in the execution of mining plans, in the ability to meet construction and production schedules due to numerous factors including but not limited to weather conditions, availability of necessary equipment, supplies and manpower, fluctuating coal prices and changes in government policies, regulations and directives.

As confirmed by the Company, no material changes have occurred between the date of our last inspection and the Valuation Date.

This report is prepared by TSE Wai Leung (his professional qualifications and experiences are set out in **Valuer's Biography and Declaration** attached herewith). He has been employed by Asset Appraisal Limited with compensation not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or directions in value in favor of the Company.

SOURCE DATA AND INFORMATION

The principal sources of information for this project are:

1. Coal Mines Exploitation Permit of Caotang Coal Mines (Ref No. C5000002009041130019437);
2. Coal Mine Exploitation Permit of Heiwan Coal Mine dated 30 April 2009;
3. Coal Mine Exploitation Permit of the Coal Mine dated 30 April 2009;
4. Coal Mine Exploitation Permit (Permit No. 65000002009041130018279) of the Coal Mine dated 31 December 2009;
5. Coal Production Permit of Caotang Coal Mines (Ref No. 205002360477) dated 27 March 2013;
6. Coal Production Permit of Heiwan Coal Mine (Ref No. 205002360401) dated 29 June 2007;
7. Safety Production Permit of Caotang Coal Mines (Ref No. (渝)MK安許証字 (2005)501080);
8. Safety Production Permit of Heiwan Coal Mine dated 31 December 2008;
9. Safety Production Permit of Changhong Coal Mine (Ref No. (渝)MK安許証字 (2011)1110023) dated 7 November 2011;
10. Business License of Chongqing Caotang Coal Mines Resource Development Co Ltd dated 25 March 2008;
11. Business License of Chongqing Guo Ping Enterprise (Holdings) Co Ltd. Heiwan Coal Mine dated 25 March 2008;

12. Business License of Chongqing Yi Hua Mining Co Ltd. dated 13 October 2008 (in relation to Baolong Coal Mine;
13. Business License (Registration No. 500222000015896) of Qijiang County Changhong Coal Industry Co. Ltd. dated 22 December 2008 in relation to Changhong Coal Mine;
14. Unaudited financial statement of the Coal Mines as at 31 October 2014;
15. Independent Technical Review Report prepared by Behre Dolbear Asia, Inc.;

COAL INDUSTRY IN THE PRC

Coal is the world's most abundant cost efficient energy source and the global coal fundamentals remain very strong. According to BP Statistical Review of World Energy June 2014, the global primary energy consumption totalled 12,730.4 million tons oil equivalent in 2013 (a 2.3% year-to-year), of which coal represented 30.06%, equivalent to 3,826.7 million tons of oil, respectively. It is expected that energy consumption remains on upward trend globally despite the fact that the expected growth rate would be below historical average due to the stagnant global economy.

The coal consumption was attributable to a number of factors, including volatility in petroleum and natural gas prices, demand for power, growth in industrial production, the competitiveness of coal as a cost efficient energy resource in comparison to other energy sources, advances in coal mining and processing technologies as well as the productivity and growth of the steel industry, which has directly resulted in increased demand for coking coal. Coal serves a vital role in global power generation, and this role is expected to continue in the foreseeable future. Coal is also indispensable for global energy generation. According to World Energy Outlook 2012, global primary energy demand of coal will still be primarily in generating electricity.

Coal consumption at its current levels is sustainable because world coal reserves are abundant. According to BP Statistical Review June 2014 estimates, the world's total proven coal reserve base represents approximately 113 years of production at current mining rates. Coal reserves have a wide distribution pattern, with particular concentrations in the United States, Russia, the PRC, Australia and India. These countries possess 26.6%, 17.6%, 12.8%, 8.6% and 6.8% respectively, of the proven global coal reserves at the end of 2013. Many major coal consumers and producers are located in the Asia-Pacific region.

The PRC is the largest coal producer of coal in the world and is expected to remain so in the foreseeable future. According to BP Statistical Review June 2014, the PRC produced 3,684 million tons of coal in 2013, an 1.2% increase from its 2012 production of 3,645 million tons. From 2006 to 2013, coal production in the PRC grew at a CAGR of 5.5%.

The PRC's coal-producing areas exceed 550,000 square kilometres but these areas generally concentrate in certain regions of the country. According to the PRC's National Bureau of Statistics, in 2011, 87.79% of total proven coal reserves in the PRC are deposited in Shanxi, Inner Mongolia, Shaanxi, and Xinjiang in 2010.

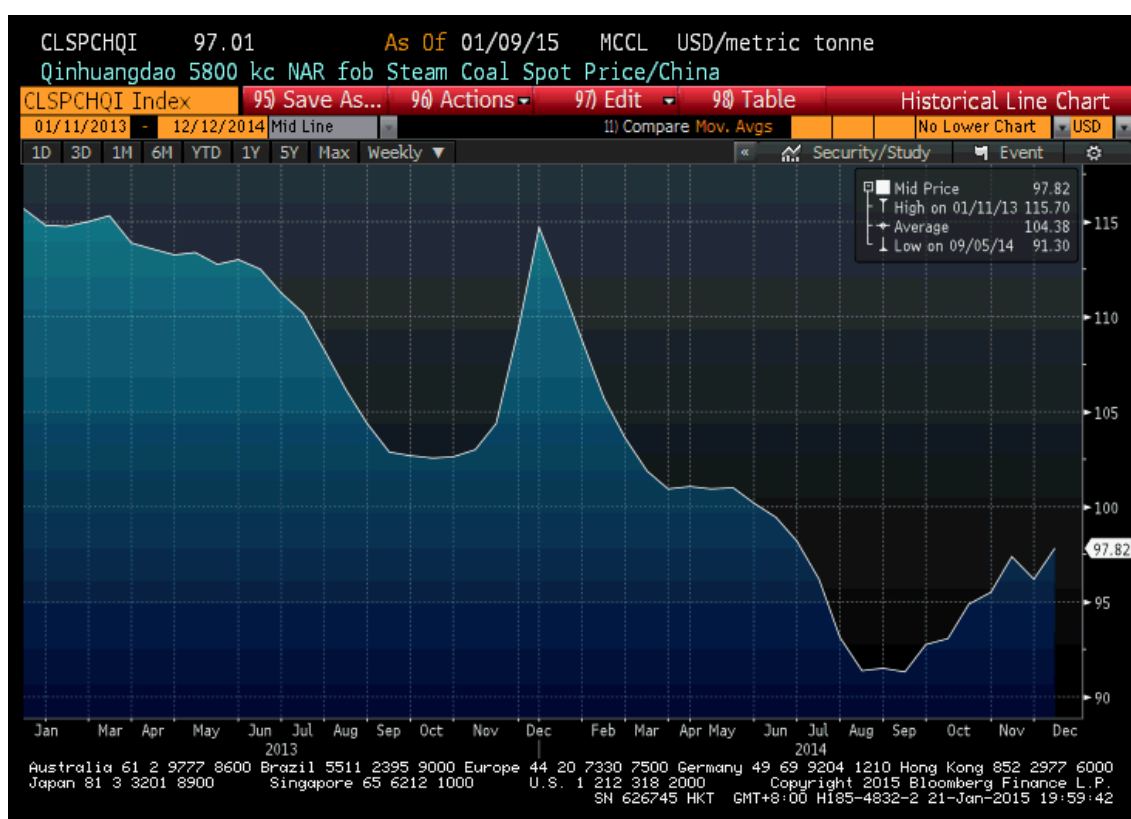
Coal fields in the PRC with good mining conditions are mainly concentrated in Xinjiang, parts of Ningxia, as well as the area referred to in the industry as the "Tri-West Area", which consists of Shanxi, Shaanxi and western Inner Mongolia. The Tri-West Area has favourable geological conditions for coal production. Coal reserves in this area are of high quality and contain a wide variety of coal. However, due to limited local consumption and the remote distance of these reserves from major customers and major ports, these high-quality coal reserves have not been fully exploited. The coal reserves in Jiangsu, Anhui, Shandong and Henan are also of high quality and contain a wide variety of coal. Furthermore, they are close to transportation facilities as they are located near the PRC's more economically developed coastal regions. However, the coal reserves in these provinces are relatively small, and represent only 9.2% of the proven reserves in the PRC.

The coal consumption in the PRC accounted for 50.3% of global coal consumption in 2013. Because the PRC lacks a significant oil and natural gas resource base, coal historically has been, and is expected to remain, the most important energy resource, accounting for 67.50% of its total primary energy consumption in 2013, according to BP Statistics Review of World Energy June 2012. According to the PRC Coal Industry Association, coal will remain the country's primary source of energy production for at least the next two decades.

There are three common coal pricing mechanisms in the PRC namely mine gate (also called mine mouth), free-on-rail (“FOR”) and free-on-board (“FOB”). Mine gate price refers to the sales price of coal sold at the producing mines. FOR price refers to the sales price when the coal is loaded onto trains which is mainly impacted by the mine gate price, freight charges (usually short-distance trucking), platform fee and agent fee. FOB price refers to the price of coal loaded onto ships for export markets.

Coal prices at the PRC’s key shipping port of Qinhuangdao have decreased dramatically during January to September of 2014 with coal price decreased from approximately US\$115.7/ton in January 2014 to US\$91.3/ton in September 2014. Prices have picked up after September 2014 and closed at US\$98/ton at year ended 2014.

Spot Price of Qinhuangdao 5800kc NAR FOB Steam Coal between January 2013 and December 2014



Source: Bloomberg

DESCRIPTION OF CAOTANG COAL MINES

Location and Background

Caotang Coal Mine is located at a distance of 14.4km north of the township of Feng Jie County within the municipality of Chongqing City. The coal field covers a total area of 9.0995km² and is delineated by the following 25 inflexion points:

Plan Coordinate	X	Y
1	3447241	37359230
2	3447571	37360053
3	3447400	37360955
4	3448220	37361545
5	3447897	37363187
6	3446869	37363193
7	3446061	37362732
8	3446064	37362589
9	3446678	37362590
10	3446812	37362806
11	3447233	37362561
12	3447009	37362228
13	3446880	37362218
14	3446768	37362048
15	3446749	37361864
16	3446403	37361404
17	3446000	37360952
18	3445433	37360664
19	3445213	37361218
20	3444406	37361030
21	3447282	37360020
22	3444921	37358943
23	3445417	37358866
24	3446183	37358812
25	3446500	37358551

The permitted mining altitude of Caotang Coal Mine is between 970 metres and 300 metres.

The coal field infrastructure is reasonable with truck roads with a total traveling distance of approximately 20 kilometres connecting the coal field to the nearby coal wharf at Bei Di Town along the Chang Jiang River. Given its location, the coal field is under the administration of Bei Di Town and Fen He Town.

The general exploration program for Caotang Coal Mine (formerly known as Ye Ji Ping Coal Mines) was carried out by the Sichuan 205th Geological Brigade in November 1980. Subsequently, more detailed field investigation for the Coal Mines was conducted by the Sichuan 137th Geological Brigade in 1992 by which relatively abundant geologic data concerning the characteristics of the coal seams and coal quality were accumulated. In 2003, a coal resource survey report was prepared by the Chongqing 136th Geological Brigade. With the above exploration programs coupled with the excavation work over the recent years of mining operations, the understanding of the coal resource measures of the coal seams has been greatly improved.

Caotang Coal Mine has been developed since 1982 under the approval of the Sichuan Province Planning Committee and the Sichuan Coal Administration Bureau and commenced mining operations in 1988 with an annual output capacity of 60,000 tons. The mine was subsequently transferred to Chong Qing Guo Ping Enterprise (Holdings) Co Ltd. (重慶國平實業(集團)有限公司). The Coal Mines effectively operate 300 or more production days per year on a 24-hour, 7-day per week basis. Major festival periods and national holidays constitute the idle operating days during which maintenance programs for the infrastructure works and equipment are implemented.

Present mine layout consists of 3 production portals namely the No. 1, 2 and 3 which shall be joined to form a single production system as per the Government requirements for Caotang Coal Mine consolidation. At present, the following adits have been constructed and utilized for mining operations:

Location	Type of Adit	Distance (metres)
Pit No. 1	Primary Transport Adit	1,425
Pit No. 1	Ventilation Adit	1,200
Pit No. 1	Auxiliary Adit	1,000
Pit No. 2	Primary Transport Adit	1,550
Pit No. 2	Ventilation Adit	1,400
Pit No. 2	Auxiliary Adit	1,750
Pit No. 2	Auxiliary Adit	1,500
Pit No. 3	Primary Transport Adit	2,000
Pit No. 3	Ventilation Adit	1,200
Pit No. 3	Auxiliary Adit	1,400
Pit No. 3	Auxiliary Adit	1,400



Primary Transport Adit of Pit No. 1



Primary Transport Adit of Pit No. 2

The mining method is semi-mechanized retreating longwall panels with caving. The face is drilled and blasted for advance. Individual hydraulic props with link bars are used for support. Coal and rock is loaded on to rope haulage chain conveyors laid along the face discharging on to tubs at the tailgate road.

Transport of coal to surface is by means of tubs hauled by locomotive. Exhaust fans have been installed at the portal of ventilation adits so as to maintain reasonable air quality of the working faces.



Locomotive for tub haulage

As confirmed by the Chongqing 136th Geological Brigade, the relative gas outflow of the Coal Mines was $3.93\text{m}^3/\text{t}$ and Caotang Coal Mine can be characterized as a low gas mine. To ensure safety, regular gas monitoring of return air is carried out by mining field supervisors. It is further confirmed by the Company that there is no serious injury or fatal accident since the Company has taken over control of Caotang Coal Mine. The primary coal seam of the Caotang Coal Mine is subject to risk of dust explosion and spontaneous combustion and therefore regular measures have been taken for dust suppression and monitoring of undue heating of the area.

Surface facilities of Caotang Coal Mine include administration offices, materials and parts storage, repair workshops, change rooms, canteen, bathhouse and miner accommodation.



Administration Building



Miners Quarters



Miners Bathroom and Quarters



Repair Workshop and Storage

Raw coal produced from Caotang Coal Mine is generally transported by trucks for about 25 km to the Yangtze River port for shipping to the customers.

Coal Seams and Coal Quality

Caotang Coal Mine is characterized by two minable coal seams namely K1 and K2 of which K1 is the primary coal seam with an average thickness of 1.2 metres and K2 is the secondary producer with an average thickness of 0.99 metre.

Coal is presented in various categories ranging from peat to anthracite referred to as the rank of coal. The classification of coal is dependent on the level of coalification, the degree of change undergone by a coal as it matures from peat to anthracite.

Lignite and sub-bituminous coals are categorized as low rank coals, which are typically softer, friable materials with a dull, earthy appearance. They are characterised by high moisture levels and lower levels of carbon and energy.

Coking coals and anthracite are categorized as higher rank coals, which are generally harder and stronger and often have a black, vitreous lustre. They contain more carbon, have lower moisture content, and produce more energy.

The energy content of coal is commonly measured as the heat released upon complete combustion in air or oxygen, expressed as the amount of heat (measured in kilocalories) per unit weight of coal (measured in kilograms) or “kcal/kg”. Generally, coal with higher energy content is considered premium quality and commands a higher price.

Thermal coal is primarily used as an input in the power sector to produce electricity and heat. Coking coal is primarily used as an input for the production of coke in coke ovens, which is consumed in blast furnaces in the production of pig iron (pig iron including alloy forms is subsequently converted to steel in an oxygen steel furnace).

Caotang Coal Mine produces thermal coal for local, regional, and national power plants or furnace operators. According to Chongqing 136th Geological Brigade the historical production parameters were:

- Moisture (Mad) content averages 0.43%
- Ash (Aad) content varies from 29.09% to 37.44% averaging 32.24%. The ash content of the upper and lower sections of the K1 seam is relatively low while the central zone, with more partings, has higher ash content

- Sulphur total (Sad) content varies from 1.6% to 3.06% averaging 2.14%. The sulphur is mostly from pyrite decreasing toward the top of the seam
- Phosphorous content ranges from 0.10% to 0.22% with an average of 0.14%. The variation from the top to the bottom of the seam being the opposite of the variation in the ash content.
- Calorific value (AD) varies from 4,818 kcal/kg to 5,902 kcal/kg
- Specific gravity of the K1 and K2 seams is 1.55

The coal is graded as high ash, medium to high sulphur, medium to high phosphorous and medium calorific value coal suitable for the thermal energy market.

Estimated Coal Reserves and Life of Mine Schedule

As revealed by the coal reserve statement in the Competent Person's Report prepared by Behre Dolbear as of 30 April 2013, the Proved and Probable Reserves conforming to the definitions in the JORC Code of Caotang Coal Mine are 20.59 and 3.38 million tonnes respectively which are broken down into the following:

Seam	Recovery (%)	Dilution (%)	Proved Reserve (kt)	Probable Reserve (kt)	Total Reserve (kt)
K1	73	7	11,569	2,748	14,317
K2	79	7	9,024	634	9,659
Total	75	7	20,594	3,382	23,976

Under the JORC Code, a Proved coal reserve is defined as the economically mineable part of a measured coal resource and includes diluting materials and allowances for losses which may occur when the material is mined. A Probable coal reserve is defined as the economically mineable part of an indicated coal resource and includes diluting materials and allowances for losses which may occur when the material is mined.

A Measured coal resource represents the part of a coal resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and quality continuity.

An Indicated coal resource represents the part of the coal resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or quality continuity, but are spaced closely enough for continuity to be assumed.

Life of Mine Production Schedule as proposed by the Company is set out as follows:

Year	Planned Annual Tonnage (kt)	Cumulative Tonnage Mined (kt)
2013	600	600
2014	1,350	1,950
2015 -2016	1,350	4,650
2017-2028	1,500	22,650
2029	1,326	23,976

Mining Rights

As at the date of this report, the following consents, permits and approvals have been issued to Caotang Coal Mine for its mining operations:

Permits	Permit Holder	Mining Certificate No.	Area (km²)	Permitted Annual Output (tons)	Valid Period
Coal Mines Exploitation Permit	Chongqing Caotang Coal Mines Resource Development Co Ltd.	C5000002009041130019437	9.0995	150,000 permitted mining attitude is between 970m to 300m	Jan 2011 to Jan 2014
Coal Production Permit	Chongqing Caotang Coal Mines Resource Development Co Ltd.	205002360477	--	210,000	Mar 2013 to Oct 2019
Safety Production Permit	Chongqing Caotang Coal Mines Resource Development Co Ltd.	(渝)MK安許証字(2005)501080	--	--	Jun 2012 to Jun 2015

Our valuation has been arrived at on the basis that Chongqing Caotang Coal Mines Resource Development Co Ltd. shall have no legal impediment and not be subject to any substantial costs to the issue and renewal of the above consent, permits and approvals by the appropriate regulatory bodies and Government authorities for undertaking its coal mining operations in Caotang Coal Mine from time to time until the coal resources of Caotang Coal Mine are fully exploited.

DESCRIPTION OF HEIWAN COAL MINE

Location and Background

Heiwan Coal Mine is located at a distance of 27km north of the new township of Feng Jie County within the municipality of Chongqing City. The coal field covers a total area of 3.34km² and is delineated by the following 8 inflexion points:

Plan Coordinate	X	Y
1	3450510	37375600
2	3450260	37375600
3	3450170	37376200
4	3450820	37376950
5	3452050	37376160
6	3450700	37374070
7	3449690	37374710
8	3450200	37375150

The permitted mining altitude of Heiwan Coal Mine is between 1,300 metres and 1,050 metres.

The coal field infrastructure is reasonable with truck roads with a total traveling distance of approximately 30 kilometres connecting the coal field to the nearby coal wharf at Feng Jie County along the Chang Jiang River. Given its location, the coal field is under the administration of Bei Di Town and Fen He Town.

The general exploration program for the subject locality of Heiwan Coal Mine was carried out by the Sichuan 107th Geological Brigade in between December 1978 and August 1979. Subsequently, more detailed field investigations for Heiwan Coal Mine were conducted by the Sichuan Metallurgy Geology Survey Institute, the Feng Jie Coal Mine Technology Service Centre and Feng Jie County Guo Xing Land Resources Development Consultancy Services Co. Ltd. in 2003, 2005 and 2006 respectively. With the above exploration programs coupled with the excavation work over the recent years of mining operations, the understanding of the coal resource measures of the coal seams has been greatly improved.

Heiwan Coal Mine was developed by Chong Qing Guo Ping Enterprise (Holdings) Co Ltd. (重慶國平實業(集團)有限公司) in 1996 with an annual output capacity of 60,000 tons of coal. The coal mine effectively operates 300 or more production days per year on a 24-hour, 7-day per week basis. Major festival periods and national holidays constitute the idle operating days during which maintenance programs for the infrastructure works and equipment are implemented.

The present mine layout consists of 1 primary transport adit, 3 ventilation adits and 1 auxiliary adit as follows:

Type of Adit	Distance (metres)
Primary Transport Adit	700
Ventilation Adit No. 1	800
Ventilation Adit No. 2	800
Ventilation Adit No. 3	700
Auxiliary Adit	700



Primary Transport Adit



Ventilation Adit

The mining method is semi-mechanized retreating longwall panels with caving. The face is drilled and blasted for advance. Individual hydraulic props with link bars are used for support. Coal and rock is loaded on to rope haulage chain conveyors laid along the face discharging on to tubs at the tailgate road.

Transport of coal to surface is by means of manually hauled tubs. As advised by the Company, as a move to ramp up coal production, the coal moving tubs will be hauled by locomotive in the near future. Exhaust fans have been installed at the portal of ventilation adits so as to maintain reasonable air quality of the working faces.



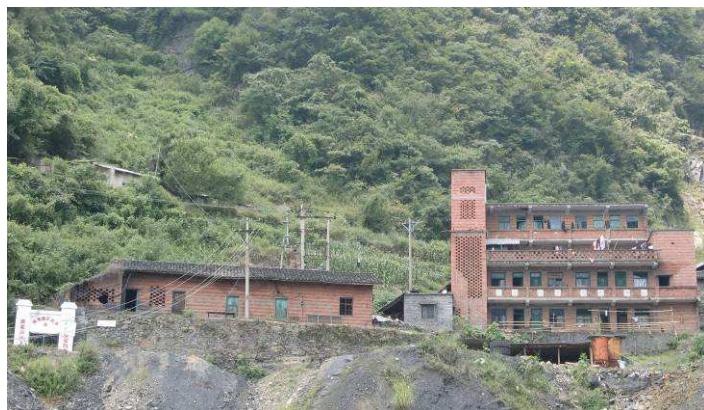
Locomotive for tub haulage

As confirmed by the Chongqing 136th Geological Brigade, Heiwan Coal Mine can be characterized as a low gas mine. To ensure safety, regular gas monitoring of return air is carried out by mining field supervisors. It is further confirmed by the Company that there is no serious injury or fatal accident since the Company has taken over control of the coal mine. The primary coal seam of Heiwan Coal Mine is subject to risk of dust explosion and spontaneous combustion and therefore regular measures have been taken for dust suppression and monitoring of undue heating of the area.

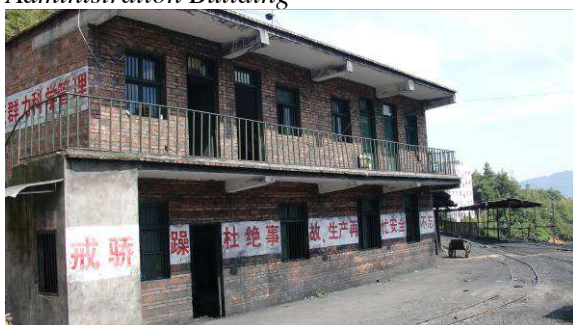
Surface facilities of Heiwan Coal Mine include administration offices, materials and parts storage, repair workshops, change rooms, canteen, bathhouse and miner accommodation.



Administration Building



Miners Quarters



Miners Quarters



Repair Workshop and Miners Quarters

Raw coal produced from Heiwan Coal Mine is transported by trucks for a distance of 35km to the Fengjie Jinpeng coal dock along a tributary of Yangtze River.

Coal Seams and Coal Quality

Heiwan Coal Mine is characterized by five coal seams namely K1, K2, K3, K4 and K5 of which K3 is the primary coal seam with an average thickness of 0.4 metres.

The Coal Mine produces thermal coal for local, regional and national power plants or furnace operators. According to the Chongqing Wenzhou Quantity and Quality Examination Centre, coal taking from Heiwan Coal Mine exhibited the following coal quality:

- Moisture (M_{ad}) content 0.7%
- Ash (A_d) content 31.4%
- Sulphur (S_{td}) content 1.2%
- Calorific value (AD) 5,061kcal/kg
- Specific gravity of all seams was determined as 1.4

The coal is graded as high ash, low sulphur and medium calorific value coal suitable for the thermal energy market.

Estimated Coal Reserves and Life of Mine Schedule

As revealed by the coal reserve statement in the Competent Person's Report prepared by Behre Dolbear as of 30 April 2013, the Proved and Probable Reserves conforming to the definitions in the JORC Code of Heiwan Coal Mine are 2.128 million tonnes and 0.463 million tonnes respectively which are broken down into the following:

Seam	Recovery (%)	Dilution (%)	Proved Reserve (kt)	Probable Reserve (kt)	Total Reserve (kt)
K1	74	7	987	304	1,291
K2	74	7	1,100	159	1,259
K3	73	7	41	0	41
Total	74	7	2,128	463	2,592

Life of Mine Production Schedule as proposed by the Company is set out as follows:

Year	Planned Annual Tonnage (kt)	Cumulative Tonnage Mined (kt)
2013	100	100
2014	450	550
2015	500	1,050
2016	600	1,650
2017	600	2,250
2018	342	2,592

Mining Rights

As at the date of this report, the following consents, permits and approvals have been issued to Heiwan Coal Mine for its mining operations:

Permits	Permit Holder	Mining Certificate No.	Area (km ²)	Permitted Annual Output (tons)	Valid Period
Coal Mine Exploitation Permit	Chongqing Guo Ping Enterprise (Holdings) Co Ltd.	C5000002009041 130019439	3.3413	60,000 permitted mining attitude is between 1,300m to 1,050m	May 2011 to May 2014
Coal Production Permit	Chongqing Guo Ping Heiwan Coal Mine Resources Development Co., Ltd.	205002360401	--	40,000	007 to 2015
Production Permit	ing Guo Ping Enterprise (Holdings) Co Ltd. Heiwan Coal Mine	IK安許証字 (2008)80102 3		--	08 to Dec 2011

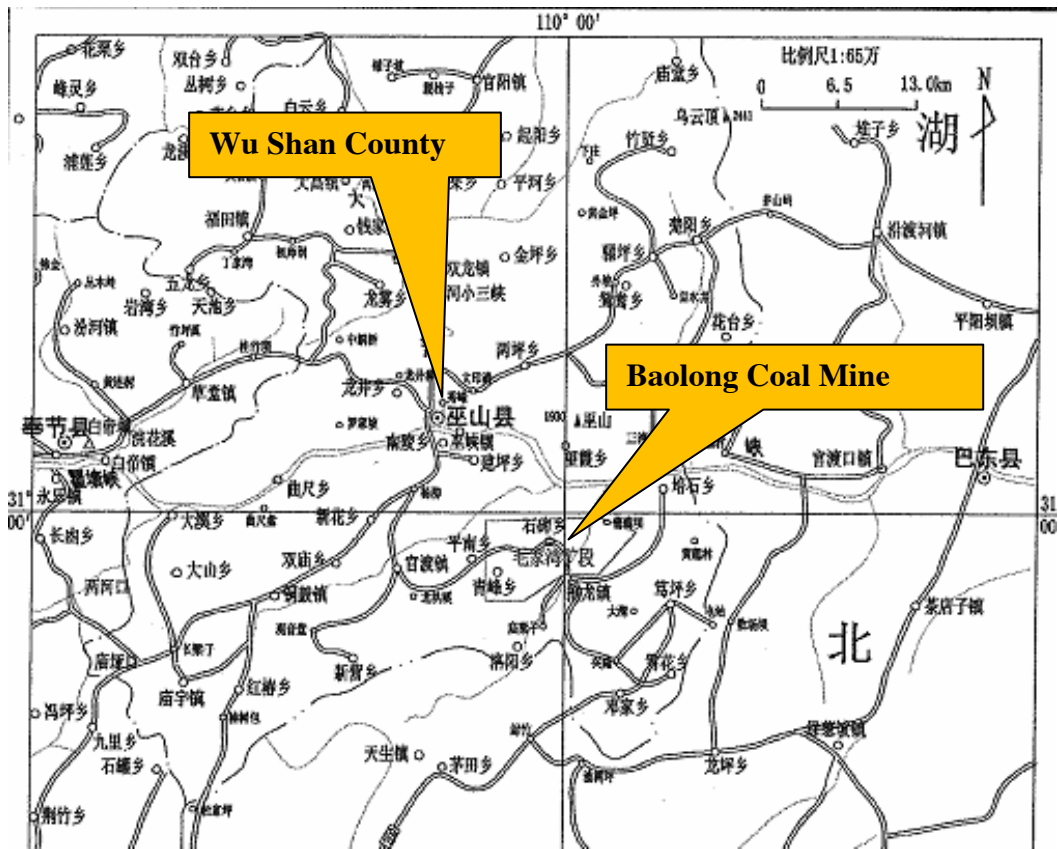
Our valuation has been arrived at on the basis that Chongqing Guo Ping Enterprise (Holdings) Co Ltd. shall have no legal impediment and not be subject to any substantial costs to the issue and renewal of the above consent, permits and approvals by the appropriate regulatory bodies and Government authorities for undertaking its coal mining operations in Heiwan Coal Mine from time to time until the coal resources of Heiwan Coal Mine are fully exploited.

DESCRIPTION OF BAOLONG COAL MINE

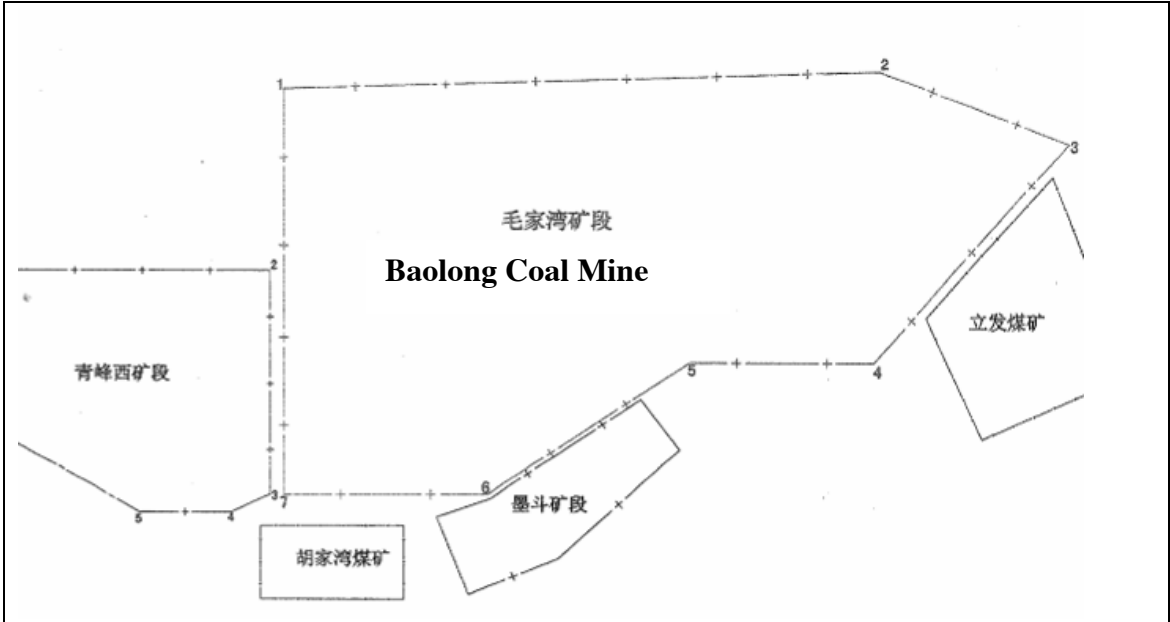
Baolong Coal Mine, which is currently a green field coal mine, is located at a distance of 17km southeast of the township of Wu Shan County within the municipal of Chongqing City. As confirmed by the Company, the coal field covers an exploration area of 23.12km² and is delineated by the following 7 inflexion points:

The permitted mining altitude of Baolong Coal Mine is between 200 metres and 900 metres.

Plan Coordinate	Rectangular Coordinate		Geographic Coordinate	
	X	Y	B ° ' "	L ° ' "
1	3429287	37400093	30 58 48.0	109 57 15.0
2	3429258	37406674	30 58 49.0	110 01 23.0
3	3428439	37408764	30 58 23.0	110 02 42.0
4	3425993	37406619	30 57 03.0	110 01 22.0
5	3425981	37404575	30 57 02.0	110 00 05.0
6	3424492	37402331	30 56 13.0	109 58 41.0
7	3424482	37400074	30 56 12.0	109 57 16.0



Location Plan of Baolong Coal Mine



Licence Boundaries of Baolong Coal Mine



Main pit portal of Baolong Coal Mine

The coal field infrastructure is reasonable with asphalt roads with a total traveling distance of approximately 80km from Wu Shan County, and 70km to Jian Shi County. The nearby coal wharf is at Pu Tao Dam along the Yangtze Jiang River through which coal can be transported to Yichang, Wuhan, Shanghai, Wanzhou and Chongqing. Given its location, the coal field is under the administration of Bao Long Town Wu Shan County.

The general exploration program for Baolong Coal Mine was carried out by the Chongqing 136th Geological Brigade from April 2005 to December 2007. Subsequently, more detailed field investigation for the coal mine was conducted by the Chongqing 136th Geological Brigade in June 1996 by which relatively abundant geologic data concerning the characteristics of the geological, hydrogeological, geological profile and nearby old coal mine were accumulated. In June 2005, a drill team carried out deep prospecting in Baolong Coal Mine. After the accomplishment of field work in 26 August 2007, it started to compile the survey report. In December 2007, the Baolong (previously known as “Maojiawan”) Coal Mine Coal Resource Survey Report was issued by Chongqing 136th Geological Brigade.

Primary adits are being developed at the Baolong No. 1 eastern adit, while development in the Baolong No. 2 adit will continue when the new mining permit is ratified.

Coal Seams and Coal Quality

Baolong Coal Mine is characterized by two minable coal seams namely K1 and K2. NO. 1 reference unit with an average thickness of 40 meters lies below K1 minable coal seam which is commonly referred to as the base floor of K1. Similarly, NO.2 reference unit with an average thickness of 5 meters lies below K2 minable coal seam which is commonly referred to as the sign of K2.

Baolong Coal Mine produces thermal coal for local, regional and national power plants or furnace operators. According to the Chongqing 136th Geological Brigade, coal exploited from the Coal Mine exhibited the following coal quality:

K1 coal seam:

- Moisture (M_d) content varies from 1.32% to 12.31% (average 6.5%)
- Ash (A_d) content varies from 33.50% to 41.53% (average 38.29%)
- Volatile (V_d) content varies from 7.37% to 8.43% (average 7.9%)
- Fixed Carbon (F_c) content varies from 42.49% to 55.28% (average 49.6%)
- Sulphur (S_d) content varies from 2.42% to 10% (average 5.03%)
- Calorific value (CV) varies from 4,100 to 4,760kcal/kg (average 4,420kcal/kg)
- Phosphor (P_d) varies from 0.002% to 0.007% (average 0.004%)
- Chlorine (Cl_d) varies from 0.084% to 0.098% (average 0.091%)
- Arsenic (As_d) varies from 2 mg/kg to 5 mg/kg (average 4.5mg/kg)
- Fluorine (F_d) varies from 200 mg/kg to 248 mg/kg (average 224mg/kg)
- Specific Gravity was determined to be 1.55

The national norm GB/T15224.1-2004, GB/T15224.2-2004, and GB/T15224.3-2004 classifies the K1 raw seam as high ash (HA), high sulphur (HS), special low phosphorus (SLP), low chlorine (LCI), low calorific value (LQ), and blind coal (WY). It can be used for industrial uses coal and also in domestic consumption.

K2 coal seam:

- Moisture (M_d) content varies from 3.72% to 5.62% (average 4.39%)
- Ash (A_d) content varies from 15.86% to 39.02% (average 25.2%)
- Volatile (V_d) content averagely 8.55%
- Fixed Carbon (F_c) content varies from 48.03% to 71.19% (average 63.32%)
- Sulphur (S_d) content varies from 0.89% to 3.7% (average 1.82%)
- Calorific value (CV) varies from 4,200 to 6,620kcal/kg (average 5,420kcal/kg)

- Phosphor (P_d) content averagely 0.014%
- Chlorine (Cl_d) content averagely 0.018%
- Arsenic (As_d) content averagely 8 mg/kg
- Fluorine (F_d) content averagely 266 mg/kg
- Specific Gravity was determined to be 1.50

The national norm GB/T15224.1-2004, GB/T15224.2-2004, and GB/T15224.3-2004 classifies the K2 raw seam as medium ash (MA), medium high sulphur (MHS), medium calorific value (MQ), and blind coal (WY). It can be used for thermal power generation, motive power or civilian coal.

Estimated Coal Reserves and Life of Mine Schedule

As revealed by the coal reserve statement in the Competent Person's Report prepared by Behre Dolbear as of 30 April 2013, the Proved and Probable Reserves conforming to the definitions in the JORC Code of Baolong Coal Mine are 29.815 million tonnes and 26.414 million tonnes respectively which are broken down into the following:

Seam	Recovery (%)	Dilution (%)	Proved Reserve (kt)	Probable Reserve (kt)	Total Reserve (kt)
K1	61	7	13,703	16,614	30,317
K2	68	7	16,112	9,800	25,912
Total	64	7	29,815	26,414	56,229

Life of Mine Production Schedule as proposed by the Company is set out as follows:

Year	Planned Annual Tonnage (kt)	Cumulative Tonnage Mined (kt)
2013	0	0
2014	500	500
2015	1,500	2,000
2016	1,650	3,650
2017 to 2045	1,800	55,850
2046	379	56,229

Mining Rights

As at the date of this report, the following consents, permits and approvals have been issued to Baolong Coal Mine for its mining operations:

Permits	Permit Holder	Mining Certificate No.	Area (km ²)	Permitted Annual Output (tons)	Valid Period
Coal Mine Exploitation Permit	Chongqing Yi Hua Mining Co Ltd.	C50000020090 41130020052	2.8651	60,000 permitted mining attitude is between 900m to 200m	12 Feb 2011 to 12 Feb 2014

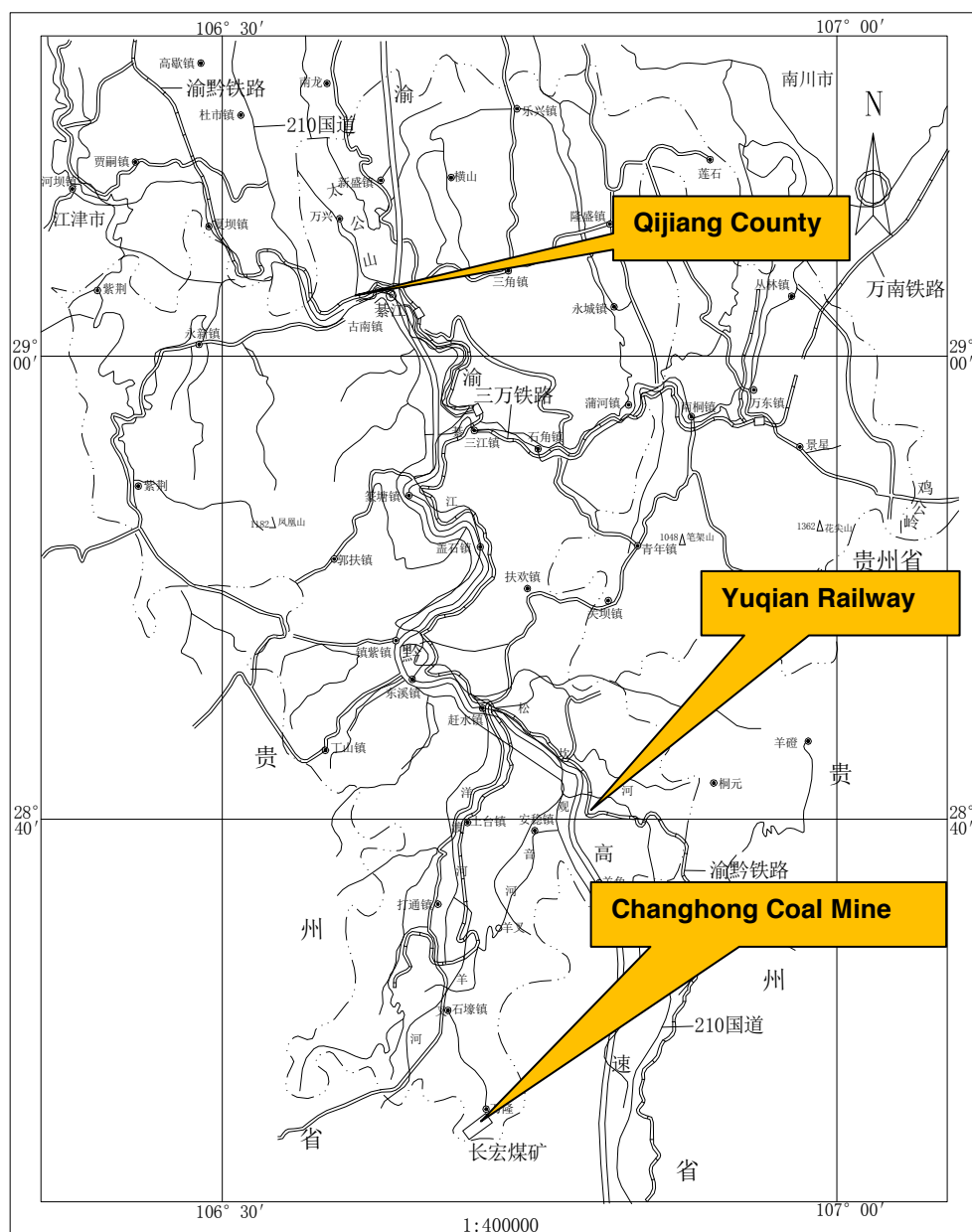
Chongqing Yi Hua Mining Co Ltd also owns an exploration license, which covers 23.12km² and is directly adjacent to the Baolong mining permit area. As confirmed by the management of the Company, Chongqing Yi Hua Mining Co Ltd have been vested the exploitation rights on the entire coal resources of Baolong Coal Mine having a total mining site area of 25.98km² and Coal Mine Exploitation Permit for the remaining portion of Baolong Coal Mine shall be issued to Chongqing Yi Hua Mining Co Ltd without additional coal resources surcharge payable to the Government.

Our valuation has been arrived at on the basis that Chongqing Yi Hua Mining Co Ltd shall have no legal impediment and not be subject to any substantial costs to the issue and renewal of the above consent, permits and approvals by the appropriate regulatory bodies and Government authorities for undertaking its coal mining operations in Baolong Coal Mine from time to time until the coal resources of Baolong Coal Mine are fully exploited.

DESCRIPTION OF THE CHANGHONG COAL MINE

Location and Background

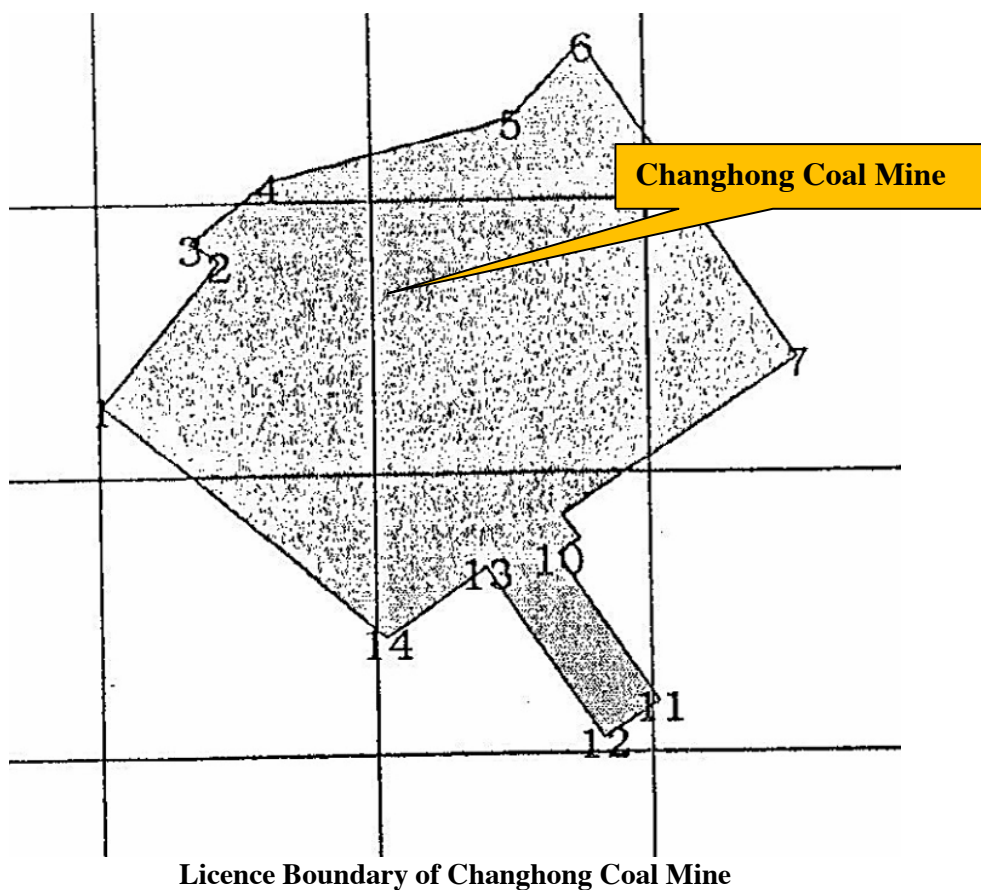
Changhong Coal Mine, which is an underground coal mine, is located near the border between Qijiang County of Chongqing City and Xishui County of Guizhou Province and is at a distance of approximately 62 kilometres to the south of the township of Qijiang County. It is under the jurisdiction of Wanlong Village, Shihao Town.



Location Map of Changhong Coal Mine

The coal field covers a total area of 0.7719km² and is delineated by the following 14 inflexion points:

Plan Coordinate	Rectangular Coordinate	
	X	Y
1	3150135.68	36372004.93
2	3150395.68	36372221.93
3	3150427.68	36372168.93
4	3150537.68	36372311.93
5	3150649.69	36372756.93
6	3150786.69	36372889.93
7	3150210.69	36373271.93
8	3149924.68	36372841.94
9	3149881.69	36372874.94
10	3149852.68	36372831.94
11	3149591.69	36373014.94
12	3149527.69	36372912.94
13	3149831.68	36372700.94
14	3149709.68	36372518.94



The permitted mining altitude of Changlong Coal Mine is between 800 metres and 1,350 metres.

For transportation, the coal field is about 3km from the nearest highway namely the Chongqing-Guizhou Expressway which provides a direct vehicular access to Shihao Town of Qijiang County and Xianquan County of Guizhou Province. Travel distance to Shihao County is approximately 28km which serves as a coal transportation hub where cross provincial highway and railway are available.

Changhong Coal Mine has been established by means of integration of three coal mines namely Changhong Coal Mine, Shanshuwan Coal Mine (杉樹灣煤礦) and Jixing Coal Mine (吉興煤礦). It is bordered by the Nanniwan Coal Mine (南泥灣煤礦) at the west and the Zhanghegou Coal Mine (張河溝煤礦) at the north-east. The licence boundary of the Coal Mine has been delineated by the Land Administration Bureau of Chongqing City which has confirmed that no dispute on illegal encroachment of adjacent coal mines by the Changhong Coal Mine has occurred.

The general regional exploration program for subject locality of Changhong Coal Mine was carried out by the Sichuan Geological Bureau Aviation Zone Geological Survey Team in between 1977 and 1980. Subsequently, more detailed field investigations for the Coal Mine were conducted by the Chongqing 136th Geological Brigade (for the former Changhong Coal Mine), the Ruiqi Mining Industry Development Consultancy Service Department (for the former Shanshuwan Coal Mine) and the Chongqing Geological Mine Resources Development Bureau 205th Geological Brigade (for the former Jixing Coal Mine) which submitted the Coal Resources Report between 2004 and 2005. All these reports have been examined and approved by the experts of the Chongqing Geological Mining Industry Association.

Changhong Coal Mine is commanding two sources of power supply, including the Xianyang Power Substation at Xishui County which is approximately 7 kilometres from the Coal Mine and the 10kV Long Distance Haoyang Power Line which is approximately 17.5km from the Coal Mine. Water supply to Changhong Coal Mine for both production and domestic consumption is satisfied by a local water spring. Backup water supply to Changhong Coal Mine is provided via the Zhanghe River Gully and an unnamed river gully nearby.

At present, two adits for coal mining and two ventilation adits have been constructed for coal mining operations. To enhance the output capacity of Changhong Coal Mine, a main shaft in the form of an adit with a designed total length of 600 metres is currently under construction and is expected to commence operations in 2013. By that time, the designed annual output capacity of Changhong Coal Mine will be boosted up to 900,000 tons.



Primary Transport Adit



Ventilation Adit



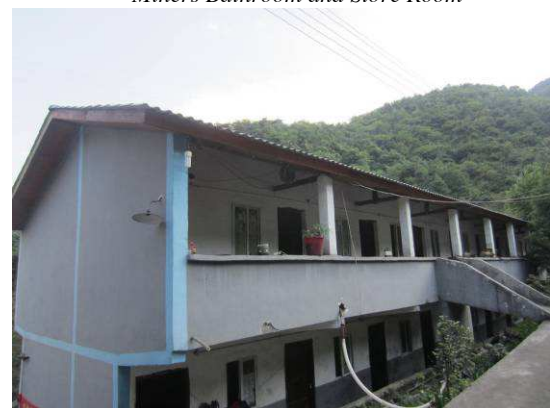
Administrative Building



Miners Bathroom and Store Room



Repair Workshop and Storage



Miners Quarters

The mining method is long wall blast mining with manual extraction after timber support of the roof. Raw coal produced from Changhong Coal Mine is transported by trucks for a distance of 60km to the nearby railhead for sale. Some is also then transferred approximately 20km to the river port on a tributary of Yangtze River.

Coal Seams and Coal Quality

The coal bearing stratum of Changhong Coal Mine is the Upper Permian Longtan Formation which is characterized by two minable coal seams namely M6 and M8.

M6 coal seam is located in the middle upper part of the Longtan Formation (P₂1) with seam thickness ranging from 0.4 to 1.6 metres (average 0.95 metres) with simple coal seam structure. Its dip is approximately 30°. Variations of thickness and inclination along its strike are not material. Its entirety is considered a workable coal seam.

M8 coal seam is located in the lower part of the Longtan Formation (P₂1) at a distance of 27.4 metres to 31.7 metres (average 29.1 metres) below M6 coal seam. Its seam thickness ranges from 0.53 to 2.00 metres (average 1.3 metres) with simple coal seam structure. Its dip is approximately 30°. Its entirety is considered a workable coal seam.

Changhong Coal Mine produces thermal coal for local, regional and national power plants or furnace operators. According to the sample test performed by the Coal Quality Supervision and Inspection Station of Chongqing, coal exploited from the Coal Mine exhibited the following coal quality:

M6 coal seam:

- Moisture (M_a) content is 2.24%
- Ash (A_d) content is 33.24%
- Volatile (V_d) content is 10.3%
- Sulphur (S_{td}) content 5.75%
- Fixed Carbon (F_c) content is 56.46%
- Calorific value (CV) 5,168kcal/kg
- Specific Gravity was determined to be 1.50

The coal is graded as high ash, high sulphur anthracite with medium calorific value coal suitable for the anthracite energy market. It could be used for industrial uses and domestic consumption.

M8 coal seam:

- Moisture (M_{ad}) content is 2.28%
- Ash (A_d) content is 13.32%
- Volatile (V_d) content is 9.04%
- Sulphur (S_{td}) content 1.84%
- Fixed Carbon (F_{cd}) content is 77.64%
- Calorific value (CV) 7,144kcal/kg
- Specific Gravity was determined to be 1.45

The coal is graded as medium ash, medium sulphur anthracite with high calorific value coal suitable for the anthracite energy market. It could be used for industrial uses and domestic consumption.

Estimated Coal Reserves and Life of Mine Schedule

As revealed by the coal reserve statement in the Competent Person's Report prepared by Behre Dolbear as of 30 April 2013, the Proved and Probable Reserves conforming to the definitions in the JORC Code of Changhong Coal Mine are 12.259 million tonnes and 6.747 million tonnes respectively which are broken down into the following:

Seam	Recovery (%)	Dilution (%)	Proved Reserve (kt)	Probable Reserve (kt)	Total Reserve (kt)
M6	72	7	7,109	794	7,903
M7	72	7	0	5,896	5,896
M8	72	7	5,149	57	5,207
Total	72	7	12,259	6,747	19,006

Life of Mine Production Schedule as proposed by the Company is set out as follows:

Year	Planned Annual Tonnage (kt)	Cumulative Tonnage Mined (kt)
2013	220	220
2014	800	1,020
2015	800	1,820
2016 to 2034	900	18,920
2035	86	19,006

Mining Rights

As at the date of this report, the following consents, permits and approvals have been issued to Changhong Coal Mine for its mining operations:

Permits	Permit Holder	Ref No.	Area (km ²)	Permitted Annual Output (tons)	Valid Period
Coal Mine Exploitation Permit	Qijiang County Changhong Coal Industry Co., Ltd.	65000002009041130018279	0.7719	120,000 permitted mining attitude is between 1,350m to 800m	31 Dec 2009 to 31 Dec 2012
Business Licence	Qijiang County Changhong Coal Industry Co., Ltd.	500222000015896	n.a.	Permitted scope of business : raw coal mining and sale	n.a.
Safety Production Permit	Qijiang County Changhong Coal Industry Co., Ltd.	Yu MK An Xu Zhen Zhi 2011-1110023	n.a.	n.a.	7 Nov 2011 to 6 Nov. 2014
Coal Production Permit	Qijiang County Changhong Coal Industry Co., Ltd.	205002220852	n.a.	40,000	29 June 2007 to 31 Dec. 2015
Explosive Usage Permit	Qijiang County Changhong Coal Industry Co., Ltd.	Qi Gong Bao Zhen Zhi No. 001	n.a.	n.a.	n.a.
Explosive Storage Permit	Qijiang County Changhong Coal Industry Co., Ltd.	Qi Gong Bao Zhen Zhi No. 010	n.a.	Warehouse area 50.02m ²	n.a.

Our valuation has been arrived at on the basis that Qijiang County Changhong Coal Industry Co., Ltd. shall have no legal impediment and not be subject to any substantial costs to the issue and renewal of the above consent, permits and approvals by the appropriate regulatory bodies and Government authorities for undertaking its coal mining operations in Changhong Coal Mine from time to time until the coal resources of Changhong Coal Mine are fully exploited.

BASIS OF VALUATION

The Coal Mines have been valued on the basis of “Fair Market Value” which is defined in the VALMIN Code as the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.

Our valuation of the Coal Mines has been concluded on the premise of continued use which reflects the future economic benefit to be derived from the ownership of the Coal Mines (including mining tenements and mining facilities of the Coal Mines) on the basis that the holders of the Coal Mines shall have no legal impediment and substantial extra costs to obtain or to renew the mining permits from the relevant Government authorities from time to time until the mining resources thereof are fully exploited.

Our appraisal included discussions with the management of the Company in relation to the history and nature of the Coal Mines’ operations; a study of the financial information; a review of the information provided by the management in connection with the strategy of and the plan of action to be taken to implement the business plans. We have assumed that such information, opinions and representation provided to us are true and accurate. Before arriving at our opinion of value of the Coal Mines, we have considered the following major factors:

- i. the nature and the prospect of the concerned business operations of the Coal Mines;
- ii. the specific economic and competitive element affecting the Coal Mines, the industry and the market in which the Coal Mines are participating;
- iii. the market-derived investment returns of enterprises engaged in a similar line of business;
- iv. the business risk of the operations of the Coal Mines;
- v. the coal resources of the Coal Mines as estimated by independent geological and mining experts engaged by the holders of the Coal Mines; and
- vi. the financial information and the past operating results of the Coal Mines.

In view of the general environment and the particular situation in which the Coal Mines are operating, the following assumptions have been adopted in our valuation in order to sufficiently support our concluded value:

- i. there will be no major change in the existing political, legal and economic conditions in the PRC;
- ii. save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the holders of the Coal Mines;
- iii. the interest rates and exchange rates will not differ materially from those presently prevailing;
- iv. the availability of finance will not be a constraint on the forecast growth of the Coal Mines;
- v. as part of our analysis, we have reviewed financial and business information from public sources together with such financial information, management representation, project documentation and other pertinent data that are specific to the project and made available to us by the management of the Company during the course of our valuation. We have assumed the accuracy of, and have relied on the information and management representations provided in arriving at our opinion of value. The profit forecast of the Coal Mines revealed to us by the Company have been compiled based on fair and reasonable assumptions that can be materialized by the Coal Mines;
- vi. the facilities, systems and technology utilized by the Coal Mines are all sound and capable in performing their designed functions for supporting the mining operations and shall not infringe any relevant regulations and law;
- vii. save for those liabilities stated in the financial statement of the Coal Mines, the Coal Mines and the operating assets thereof are free from any off balance sheet encumbrance and liability including but not limited to mortgage, charge, land / resource premium to the Government and relocation compensation;
- viii. the holders of the Coal Mines shall have uninterrupted rights to operate the Coal Mines subject to no further land / resource premium or any other payments of substantial amount to the Government until the resources are fully exploited;
- ix. the holders of the Coal Mines or their successors in title shall have no impediment to obtain and renew all necessary permits and licenses to carry out mining activities and businesses in the Coal Mines;
- x. the Coal Mines will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its mining and processing operations;
- xi. the coal reserves of the Coal Mines as at 30 April 2013 has been reasonably estimated and reported by the Mining Expert;

- xii. as estimated by the Company, the further capital costs for improving Caotong Coal Mine are in the order of RMB40 million and this amount shall be expended over a period of 2 years (from 2015 to 2016);
- xiii. as estimated by the Company, the further capital costs for improving Heiwan Coal Mine are in the order of RMB50 million and this amount shall be expended over a period of 2 years (from 2015 to 2016);
- xiv. as estimated by the Company, the further capital costs for developing Baolong Coal Mine are in the order of RMB663.29 million and this amount shall be expended over a period of 7 years (from 2015 to 2023);
- xv. as confirmed by the Company, no further capital cost is required for developing or improving Changhong Coal Mine; and
- xvi. the estimated fair market values do not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair market values.

VALUATION METHODOLOGY

The Fair Market Values of the Coal Mines have been measured by the income approach which focuses on the income-producing capability of the Coal Mines. Its underlying theory is that the value of an asset can be measured by the present worth of the net economic benefit to be received over the useful life of the assets.

More specifically, we have employed the Discounted Cash Flow (“DCF”) Method to do our valuation. This method would necessitate the subtraction, from revenue from the operations and general and administrative expenses in the computation of cash flows.

In this method, value depends on the present worth of future economic benefits to be derived from ownership of the Coal Mines. Thus, an indication of value is developed by discounting future debt free cash flows (DFCFs) available for distribution to the owners to their present worth at a market-derived rate of return appropriate for the risks and hazards of investing in similar business.

$$\text{DFCF} = \text{EBIT} + \text{DEPR} - \text{Tax} - \text{CAPEX} - \Delta\text{WC}$$

Where:

DFCF	= projected debt free cash flows
EBIT	= earnings before interest and tax
DEPR	= depreciation and amortization expenses
Tax	= profit tax on EBIT
CAPEX	= capital expenditures
ΔWC	= change in working capital

The appropriate discount rate for the DCF model is the weighted average cost of capital (WACC) which is the weighted average of the return on equity capital and the return on debt capital. The weights are determined by the average leverage position of the peer group and the weights of 65.15% and 34.85% for equity capital and debt capital are considered to be optimal for the Coal Mines.

The cost of equity can be developed using the Capital Asset Pricing Model (CAPM) which states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the well diversified market portfolio (the composite portfolio of the board base equity market index would normally be taken) but requires no excess return for other risks. Risks that are correlated with the return from the market portfolio are referred to as systematic risks. Other risks, which are normally asset specific, are referred to as non-systematic risks. By the CAPM, the appropriate cost of equity for compensating the systematic risk is computed by the following formula:

$$K_e = RF + \beta(MRP) + \Theta$$

where

K_e : Cost of Equity

RF : Risk Free Rate (long-term government bond rate is adopted)

β : price sensitivity which measures how much the asset's return and market return move together. The beta can be estimated by regression, industry comparables and smoothing techniques

MRP : market risk premium i.e. market return minus risk free rate

Θ : company specific risk premium

In our valuation, several listed companies engaging in the coal mining business have been selected as comparable companies and their price sensitivity coefficients (β) as at the Valuation Date have been extracted from the database of Bloomberg L.P.

Company Name	Stock Code	Levered Beta	Debt / Equity Ratio	Unlevered Beta
Hebei Jinniu Energy Resources Co., Ltd.	000937 CH	1.114	62.72%	0.76
Shanxi Xishan Coal & Electricity Power Co Ltd	000983 CH	0.98	101.43%	0.56
China Shenhua Energy Co Ltd	1088 HK	1.119	17.92%	0.99
Yanzhou Coal Mining Co Ltd.	1171 HK	1.293	218.61%	0.49
China Coal Energy Co Ltd	1898 HK	1.306	191.64%	0.54
Shanxi Lu'An Environmental Energy Development Co Ltd	601699 CH	1.479	84.27%	0.91
SDIC Xinji Energy Co Ltd	601918 CH	1.291	113.02%	0.70
Guizhou Panjiang Refined Coal Co Ltd	600395 CH	1.415	24.34%	1.20
Anhui Hengyuan Coal Industry Co Ltd.	600971 CH	1.403	32.27%	1.13
Median			53.49%	0.73

Source : Bloomberg

Company	Business Description
Hebei Jinniu Energy Resources Co., Ltd. (000937 CH)	The company is principally engaged in the mining and processing of coal. it is also involved in the construction material business and chemical production business. The company is engaged in the production and distribution of glass fiber and methyl alcohol through its subsidiaries. During the year ended 31 December 2010, the company produced approximately 31.02 million metric tons of raw coal and 17.74 million metric tons of clean coal. The company distributes its products in domestic markets and to overseas markets, with North China and East China as its major markets.
Shanxi Xishan Coal & Electricity Power Co Ltd (000983 CH)	The company is primarily engaged in the production, processing and sale of coal, as well as the supply of electricity and heat power. The Company offers cleaned coking coal, cleaned rich coal, cleaned lean coal, cleaned coal for electricity generation, mixed coal and raw coal, among others. The Company also provides coal gas, coke and tar, among others. During the year ended 31 December 2010, the Company produced approximately 25.79 million tons of raw coal, as well as generated approximately 4.688 billion kilowatt hours of electricity.
China Shenhua Energy Company Limited (1088HK)	The company is an integrated energy company. It operates its businesses through a coal division, which involves production of coal and operation of Coal Mines such as Shendong, Zhunge'er, Wanli and Shengli mines, which provide low ash coal, mixed coal, mixed black coal, lump coal and raw coal, among others; a railway transportation division, which involves in transportation of coal products to ports and foreign markets through five railway lines, including Shuohuang, Shenshuo, Dazhun, Baoshen and Huangwan Rail Lines; a port division, which involves in operation of Huanghua Port and Tianjin Coal Dock, providing coal transportation services, as well as power generation division, which is primarily engaged in coal-fired power generation, wind power generation and gas power generation.

Yanzhou Coal Mining Co. (1171HK)	The company is principally engaged in coal mining, washing, processing, distribution and coal railway transportation. It operates its businesses through a coal business, railway transportation, coal coking, electric power and heat. Its products include raw coal, commodity coal, coking coal and methanol, among others. During the year ended 31 December 2010, the company produced and generated approximately 49.4 million tons of raw coal, 45.53 million tons of commodity coal and 1.27 million steam tons of heat. As of 31 December 2010, the company had eight subsidiaries and two affiliates, which are involved in the production and distribution of coal, coal chemicals, electric power and heat, financial services, as well as import and export trading.
China Coal Energy Company Limited (1898HK)	The company is principally engaged in coal operations, coking operations, coal mining equipment operations and other related operations in China. The company operates its businesses through a coal business, which involves coal production, sales and trading; coking operations, which include the production and sales of coke and coal chemical products and sales of coke products; coal mining equipment operations, which includes the design, research and development, manufacturing and sales of coal mining machinery and equipment and provision of after-sales services, and other operations, which include the production and sales of electricity and primary aluminum.
Shanxi Lu'An Environmental Energy Development Co Ltd (601699 CH)	The company is principally engaged in mining, washing, processing and distribution of coal. The Company's major products are coal, coke and materials. During the year ended December 31, 2009, the Company provided approximately 29.97 million tons of raw coal and approximately 460,000 tons of coke, coal products accounted for approximately 95.13% of the Company's total revenue. As of December 31, 2009, the Company was involved in coal mining and processing, the investment business, purchasing and distribution of metal materials, as well as manufacture and distribution of coal chemical products.
SDIC Xinji Energy Co Ltd (601918 CH)	The company is a China-based company engaged in exploration, washing, processing and distribution of coal. The Company provides power coal, non-power coal and local sale coal. During the year ended December 31, 2009, the Company sold approximately 10.964 million tons of commodity coal, as well as approximately 1.8421 million tons of local sale coal. The Company is also involved in the property business, tourism and restaurant services, as well as commerce. It operates its businesses primarily in Anhui province and Shanghai, China.
Guizhou Panjiang Refined Coal Co Ltd (600395 CH)	The company is principally engaged in the mining, processing and sale of coal. The Company is also involved in electricity generation. The company's coal products include refined coal, mixed coal and raw coal. During the year ended 31 December 2010, the company produced approximately 3.5 million metric tons of refined coal, 3.97 million metric tons of mixed coal, 11.4 million metric tons of raw coal and sold approximately 7.53 million metric tons of merchantable coal. In 2010, the company generated approximately 452.31 million kilowatt hours (kwh) of electricity and supplied 391.19 million kwh of electricity. The company operates its businesses in domestic and overseas markets.
Anhui Hengyuan Coal Industry Co Ltd. (600971 CH)	The company is principally engaged in the mining, processing and distribution of coal, as well as the generation of electricity. During the year ended 31 December 2010, the company produced approximately 12.26 million metric tons of raw coal and sold 10.42 million metric tons of coal products. Through its subsidiary, the Company is also involved in the electric power generation and integrated utilization of coal cinders.

The parameters used in determining the discount rate are shown as below:

Valuation Date	31 October 2014
Indicated Risk Free Rate ¹	3.830%
Risk Premium ²	10.522%
Estimated unlevered Beta ³	0.7576
Estimated levered Beta ⁴	1.2364
	(based on debt-to-equity ratio of 84.27% and a tax rate of 25%)
Add marketability premium ⁵	6.01%
Add company specific risk ⁶	5%
Cost of Equity	27.85%
Cost of Debt ⁷	6.55%
Tax Rate	25.00%
WACC ⁸	17.36%

Notes:

¹ The yield-to-maturity of 10-year PRC Sovereign Bond

² risk premium is cited from Bloomberg database.

³ The average of unlevered betas of the comparable companies.

⁴ Unleveraged beta is translated into leveraged beta based on the following formula:

$$\beta_L = \beta_U \{1 + [(1-t) \times \text{debt} / \text{equity}]\}$$
 where

β_L = leveraged beta

β_U = unleveraged beta

t = profit tax rate (25.00%)

debt / equity = the average debt / equity ratio of the comparable companies

⁵ Marketability premium is added to the cost of equity to reflect the fact that the share capital of the Business Enterprise is currently not publicly traded securities as opposed to the share capital of the comparable companies which can be publicly traded on relevant stock exchanges.

⁶ Company specific risk is allowed with consideration that the Coal Mines are still green field Coal Mines and the mining operations have not yet commenced.

⁷ bank borrowing rate for loan over 5 years as laid down by the People's Bank of China

⁸ A additional risk premium of 2% is added to the WACC applicable to Baolong Coal as the mining operations of the coal mine have not yet commenced as at the Valuation Date

Free cash flows projections of the Coal Mines for the first 6 years of the forecasting period are set out as follows:

Year (RMB mil)	Caotang Coal Mine	Heiwan Coal Mine	Baolong Coal Mine	Changhong Coal Mine
2015	98.34	12.96	(8.36)	23.01
2016	98.65	20.82	55.82	26.35
2017	117.84	52.92	65.60	55.25
2018	116.98	50.37	74.50	110.85
2019	116.08	47.69	83.75	137.57
2020	115.13	44.88	206.41	130.71

Given the projected free operating cash flows and the expected WACC applicable for discounting, the Fair Market Value of the Coal Mines as at the Valuation Date have been measured at the following amounts:

Caotang Coal Mine	:	RMB611,400,000
Heiwan Coal Mine	:	RMB161,000,000
Baolong Coal Mine	:	RMB1,358,200,000
Changhong Coal Mine	:	RMB435,200,000
Total	:	RMB2,565,800,000

LIMITING CONDITIONS

We have accepted such information as the nature of the Coal Mines and their Mining Rights and in the identification of the Coal Mines from the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the instructing party. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the correctness of the mining areas of the Coal Mines but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar assets in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions and areas are approximations.

For this valuation, we have conducted site inspections of the Coal Mines but no structural survey has been conducted. Our valuation has been made on the basis that the underground conditions and services of the Coal Mines are satisfactory and that no extraordinary expenses or delays will be incurred during the mining operations.

No allowance has been made in our valuation for any charges, mortgages, outstanding land and development payment or amounts owing on the Coal Mines nor for any expenses or taxation which may be incurred in effecting a sale. Save for those debts stated on book, it is assumed that the Coal Mines are free from off-balance sheet encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

OPINION OF VALUE

Based upon the investigation and analysis outlined above, our valuation basis, valuation assumptions and appraisal method employed, we are of the opinion that the Fair Market Value of the Coal Mines as at **31 October 2014** free from encumbrance are reasonably represented by the amounts as follows:

Caotong Coal Mine

RENMINBI SIX HUNDRED ELEVEN MILLION AND FOUR HUNDRED THOUSAND ONLY (RMB611,400,000).

Heiwan Coal Mine

RENMINBI ONE HUNDRED AND SIXTY ONE MILLION ONLY (RMB161,000,000).

Baolong Coal Mine

RENMINBI ONE BILLION THREE HUNDRED FIFTY EIGHT MILLION AND TWO HUNDRED THOUSAND ONLY (RMB1,358,200,000).

Changhong Coal Mine

RENMINBI FOUR HUNDRED THIRTY FIVE MILLION AND TWO HUNDRED THOUSAND ONLY (RMB435,200,000).

SENSITIVITY ANALYSIS

Sensitivity analysis for the Fair Market Values of the Coal Mines is arrived at using the income approach and have been performed whereby each of the parameters involved in the valuation have been tested independently in order to test the fair market value change in response to variations of the magnitudes of the parameters.

Caotong Coal Mine

A. Discount Rate

Discount Rate	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
14.36%	-3%	695,300,000	+13.72%
15.36%	-2%	665,200,000	+8.80%
16.36%	-1%	637,300,000	+4.24%
17.36% (base case)	0%	611,400,000	0.00%
18.36%	+1%	587,400,000	-3.93%
19.36%	+2%	565,000,000	-7.59%
20.36%	+3%	544,200,000	-10.99%

B. Annual Growth Rate of Coal Selling Price

Annual Growth Rate of Coal Selling Price	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
-10%	-10%	321,000,000	-47.50%
-7.5%	-7.5%	379,500,000	-37.93%
-5%	-5%	445,800,000	-27.09%
0% (base case)	0%	611,400,000	0.00%
+5%	+5%	846,300,000	+38.42%
+7.5%	+7.5%	1,000,000,000	+63.56%
+10%	+10%	1,178,800,000	+92.80%

C. Annual Growth Rate of Cost of Production

Annual Growth Rate of Coal Selling Price	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
+2%	-3%	629,100,000	+2.89%
+3%	-2%	623,600,000	+2.00%
+4%	-1%	617,700,000	+1.03%
+5% (base case)	0%	611,400,000	0.00%
+6%	+1%	604,600,000	-1.11%
+7%	+2%	597,300,000	-2.31%
+8%	+3%	589,400,000	-3.60%

Heiwan Coal Mine**A. Discount Rate**

Discount Rate	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
14.36%	-3%	177,900,000	+10.50%
15.36%	-2%	172,000,000	+6.83%
16.36%	-1%	166,300,000	+3.29%
17.36% (base case)	0%	161,000,000	0.00%
18.36%	+1%	155,900,000	-3.17%
19.36%	+2%	151,100,000	-6.15%
20.36%	+3%	146,500,000	-9.01%

B. Annual Growth Rate of Coal Selling Price

Annual Growth Rate of Coal Selling Price	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
-10%	-10%	14,700,000	-90.87%
-7.5%	-7.5%	48,500,000	-69.88%
-5%	-5%	84,900,000	-42.27%
0% (base case)	0%	161,000,000	0.00%
+5%	+5%	247,700,000	+53.85%
+7.5%	+7.5%	298,200,000	+85.22%
+10%	+10%	354,200,000	+120.00%

C. Annual Growth Rate of Cost of Production

Annual Growth Rate of Coal Selling Price	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
+2%	-3%	186,500,000	+15.84%
+3%	-2%	178,400,000	+10.81%
+4%	-1%	169,900,000	+5.53%
+5% (base case)	0%	161,000,000	0.00%
+6%	+1%	151,700,000	-5.78%
+7%	+2%	142,000,000	-11.80%
+8%	+3%	131,300,000	-18.45%

Baolong Coal Mine**A. Discount Rate**

Discount Rate	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
16.36%	-3%	1,770,600,000	+30.36%
17.36%	-2%	1,617,000,000	+19.05%
18.36%	-1%	1,480,200,000	+8.98%
19.36% (base case)	0%	1,358,200,000	0.00%
20.36%	+1%	1,248,900,000	-8.05%
21.36%	+2%	1,150,900,000	-15.26%
22.36%	+3%	1,062,800,000	-21.75%

B. Annual Growth Rate of Coal Selling Price

Annual Growth Rate of Coal Selling Price	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
-10%	-10%	613,900,000	-54.80%
-7.5%	-7.5%	738,500,000	-45.63%
-5%	-5%	896,400,000	-34.00%
0% (base case)	0%	1,358,200,000	0.00%
+5%	+5%	2,136,900,000	57.33%
+7.5%	+7.5%	2,718,500,000	100.15%
+10%	+10%	3,490,200,000	156.97%

C. Annual Growth Rate of Cost of Production

Annual Growth Rate of Coal Selling Price	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
+2%	-3%	1,380,800,000	+1.66%
+3%	-2%	1,374,100,000	+1.17%
+4%	-1%	1,366,500,000	+0.61%
+5% (base case)	0%	1,358,200,000	0.00%
+6%	+1%	1,348,800,000	-0.69%
+7%	+2%	1,338,400,000	-1.46%
+8%	+3%	1,326,600,000	-2.33%

Changhong Coal Mine

A. Discount Rate

Discount Rate	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
14.36%	-3%	504,500,000	+15.92%
15.36%	-2%	479,700,000	+10.23%
16.36%	-1%	456,700,000	+4.94%
17.36% (base case)	0%	435,200,000	0.00%
18.36%	+1%	415,100,000	-4.62%
19.36%	+2%	396,300,000	-8.94%
20.36%	+3%	378,800,000	-12.96%

B. Annual Growth Rate of Coal Selling Price

Annual Growth Rate of Coal Selling Price	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
-10%	-10%	(158,300,000)	-136.37%
-7.5%	-7.5%	(47,300,000)	-110.87%
-5%	-5%	86,200,000	-80.19%
0% (base case)	0%	435,200,000	0.00%
+5%	+5%	880,800,000	+102.39%
+7.5%	+7.5%	1,183,100,000	+171.85%
+10%	+10%	1,567,500,000	+260.18%

C. Annual Growth Rate of Cost of Production

Annual Growth Rate of Coal Selling Price	Variance from base case	Enterprise Value (RMB)	% change (from base case value)
+2%	-3%	591,500,000	+35.91%
+3%	-2%	548,000,000	+25.92%
+4%	-1%	496,100,000	+13.99%
+5% (base case)	0%	435,200,000	0.00%
+6%	+1%	365,300,000	-16.06%
+7%	+2%	286,000,000	-34.28%
+8%	+3%	196,400,000	-54.87%

We hereby certify that we have neither a present nor prospective interest in the appraised assets or the value reported.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the asset appraised.

This valuation report is issued subject to our General Service Conditions attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited



Tse Wai Leung
CFA, MRICS, MHKIS
Director

Valuer's Biography and Declaration

TSE Wai Leung

Qualification and Professional Memberships

Chartered Financial Analyst, Professional Member of the Royal Institute of Chartered Surveyors and a Professional Member of the Hong Kong Institute of Surveyors.

Experience

TSE Wai Leung has over 15 years' experience in asset valuation for various listing companies and listing applicants in Hong Kong, the PRC, Singapore and the United States. He has also over 5 years' experience in valuation of coal mining projects.

TSE Wai Leung hereby certifies that:

- He has participated in the preparation of this valuation report and has undertaken site visit to the Coal Mines.
- This valuation report has been prepared in accordance with the VALMIN Code
- He is not aware of any material fact or material change with respect to the Coal Mines that is not reflected in the valuation report, that a failure to disclose would make the valuation report misleading.
- He is independent of the Company and its subsidiaries and its related companies, in compliance with Clause 24 of the VALMIN Code.
- This valuation report is prepared within Asset Appraisal Limited with registered address at Room 901, On Hong Commercial Building, No. 145 Hennessy Road, Wanchai, Hong Kong.



Tse Wai Leung
CFA, MRICS, MHKIS
Director

GENERAL SERVICE CONDITIONS

The services provided by Asset Appraisal Limited have been performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least five years.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. Our opinion of value is provided for reference only and no one should solely rely on our report for any transaction price determination purpose or as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Asset Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

Asset Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

We reserve the right to include your company / firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

-End of GENERAL SERVICE CONDITIONS -