# Strategic Pooled Development Limited
# ACN 062 187 893


## Prospectus

For an offer of up to 33,333,333 New Shares at an issue price of
$0.60 per New Share to raise up to $20 million

Lead Manager: Bell Potter Securities Limited

Lead Adviser: Piper Alderman

An investment in New Shares offered under this Prospectus is speculative in nature. You should consult your professional adviser if you have any questions regarding the contents of this Prospectus.

**Important notices and information**

This Prospectus is dated 23 September 2011 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of the Prospectus.

The Offer contained in this Prospectus closes at 5:00pm EST on the Closing Date. The Company reserves the right to change the Closing Date without notice. No New Shares will be issued on the basis of the Prospectus later than the date 13 months after the date of the Prospectus.

No person is authorised to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Certain terms and abbreviations used in the Prospectus have defined meanings as set out in section 17 "Glossary".

This Prospectus may be viewed online at www.spd.com.au. Paper copies of this Prospectus can be printed from the website or will be made available on request of the Company (see Corporate Directory) free of charge. The Offer to which the electronic prospectus relates is only available to persons receiving the electronic prospectus in Australia.

The New Shares to which the electronic prospectus relates will only be issued on receipt of a printed copy of the electronic Application Form together with a printed copy of the Prospectus. The Application Form may be generated by software accessible by the same means as the Prospectus.

Application will be made to ASX within seven days after the date of this Prospectus for the quotation of the New Shares. The fact that ASX may quote the New Shares is not to be taken as an indication of the merits of the Company or the New Shares being issued.

If the application for quotation of the New Shares is refused, all Application Money will be refunded to Applicants without interest.

**The interests in Coal Assets referred to in this Prospectus are at an exploration, evaluation and development stage. This, and the fact the Company has limited history of coal exploration and development, make any investment in the Company's Shares speculative. The New Shares to which this Prospectus relate carry no guarantee with respect to return on capital invested, payment of dividends or future value of the New Shares. Investors should consider the entire contents of this Prospectus carefully and refer to section 13 in "Risk Factors".**

Before deciding to participate in this Offer, you should consider its appropriateness, having regard to the speculative nature of the investment, your objectives, financial situation and needs. We recommend that you seek professional investment advice regarding investment in these New Shares.

The Application Form requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988* (Commonwealth). The Company (and the share registry on its behalf) may collect, hold and use that personal information in order to assess your Application, service your needs as a Shareholder in the Company, provide facilities and services that you request or that are connected with your interest in the Shares and carry out appropriate administration. Under the Privacy Act, you may request access to your personal information held by the Company or the share registry by contacting the company secretary at the Company's registered office.

**Some statements in this Prospectus are in the nature of forward looking statements, including statements of intentions, statements of opinion and predictions as to possible future events. Such statements are only predictions and are subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Prospectus reflect views held only as at the date of this Prospectus.**

# Table of Contents

# 1. The Investment

## Highlights

Portfolio of 1745km$^2$ of high quality coal exploration assets, assembled over the past three years in Queensland, Australia and British Columbia, Canada.

Large thermal and coking coal exploration target tonnage estimates.

The potential for early stage resource definition provided by three contracted exploration drill rigs.

Low sovereign and country risk regimes.

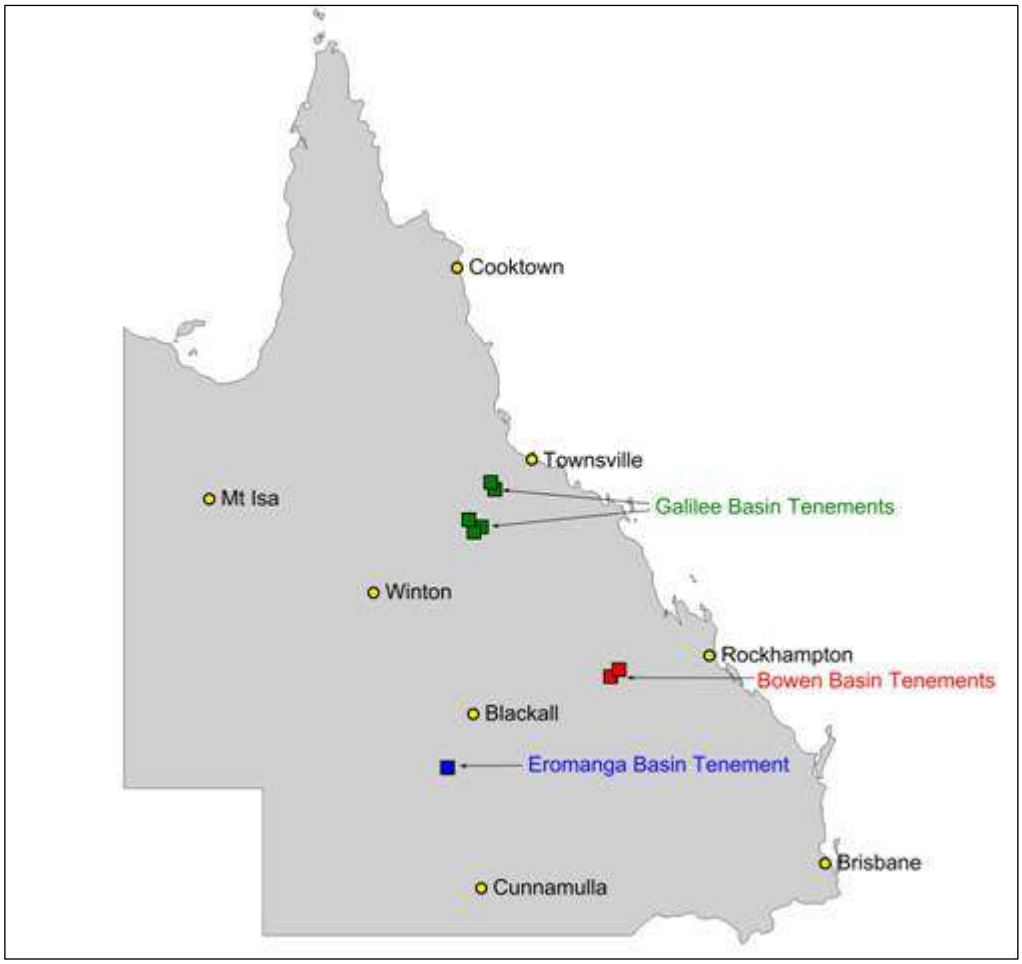
Excellent mix of near, mid and long term development options.

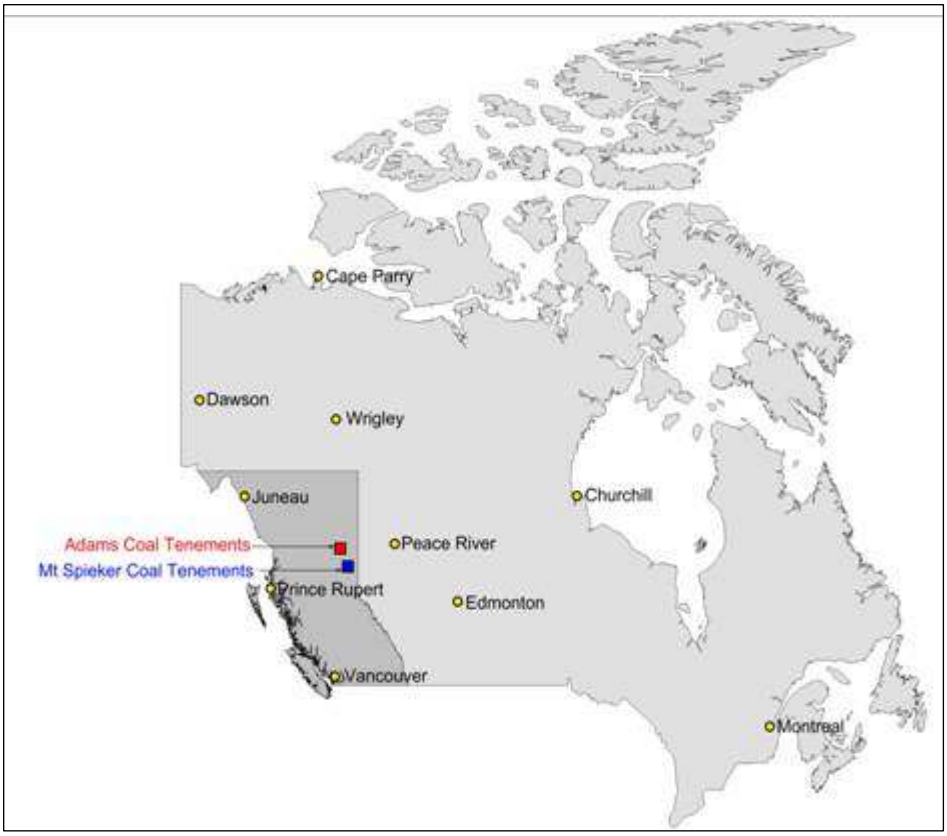
The Canadian coking coal assets have excellent access to rail and port capacity.

Experienced management and technical team with in house geologists, embedded statutory management systems and deep expertise in exploration and development.

All tenements owned 100%, allowing flexibility in funding and development options.

Advanced discussions with rail and port developers in the Galilee Basin.






## Risks

An investment in the New Shares offered under this Prospectus is speculative and has similar general risks to those associated with any share market investment as well as a number of business risks specific to an investment in the Company. These are set out in detail in section 13 of this Prospectus. By way of overview, general investment risks include possible volatility of share price, government policy, application of and change to accounting policies and war and terrorist attacks and business risks specific to an investment in the Company include risks in relation to exploration, tenement rights, material agreements completion, additional funding requirements, infrastructure access, coal quality, environmental risks, adverse weather conditions, operations, commodity price fluctuations, commercialisation, financing, insurance, management, land access, regulatory approvals, strategic cropping land, resource estimates, contractors, potential acquisitions, competition, litigation, third parties, mineral resource rent tax and carbon tax.

On completion of the Acquisition, the Company will be an early stage explorer. As such, the future success of the Company and the value of its Shares will depend on the results of exploration for, and development of, coal resources. There are inherent risks in these activities. No assurances can be given that the money spent on these activities will result in discoveries or development prospects that will be economically viable. Exploration and development activities may be curtailed, delayed or cancelled as a result of mechanical failure, shortages or delays in the delivery of equipment. While exploration activities may encounter deposits, these may not result in drilling sites that achieve commercially viable results. The size of the resources, extraction costs and recovery rates are key factors in determining commercial viability. At this point, the Company does not have resources that comply with the JORC Code and there is no guarantee that the Company will ever have resources that comply with the JORC Code.

Before deciding to invest in the New Shares, Applicants should read this Prospectus in its entirety and consider the risk factors as set out in section 13 of this Prospectus.

# 2. Chairman's letter

23 September 2011

Dear Shareholder or New Investor

The Company has recently entered into a conditional share and option exchange agreement with Saul Geological and the Optionholders to acquire all of the issued shares and employee options in Resolve Coal.

The Acquisition will restructure the Company from an asset and wealth management based business to an active coal exploration company.

By way of this Prospectus the Company is seeking to raise at least $15 million and up to $20 million to allow it to fund the continued exploration and development of the coal assets.

To effect the transaction, Resolve Coal has entered into a sale of assets agreement with Resolve Geo to acquire from Resolve Geo five coal exploration permits in Queensland, and applications for two further coal exploration permits in Queensland, along with the coal exploration permits upon those applications being granted, with all transfers subject to necessary ministerial or government approvals, as the case may be.

As part of this restructure between Resolve Geo and Resolve Coal, a condition precedent to the acquisition of Resolve Coal is that Resolve Geo will transfer the shares in Resolve Coal that it holds to Saul Geological, so that Saul Geological can complete the share and option exchange agreement with the Company. Gordon Saul and Resolve Geo have informed the Company that this transfer will be effected shortly, and in any event before completion of the Acquisition.

Resolve Coal has also made further applications including:

- one application for a Queensland coal exploration permit; and
- four applications for coal exploration licences in British Columbia, Canada.

Based on information the Company has reviewed, the portfolio of tenements and applications:

- consists of quality exploration assets;
- provides the Company with exposure to thermal and coking markets;
- possesses a mix of near term and mid term development projects;
- is located in low sovereign risk jurisdictions; and
- consists of over 1,745 km² of exploration areas in premier coal basins within Queensland, Australia and British Columbia, Canada.

Additional information on the portfolio that Resolve Coal has rights to acquire are set out in section 5.4.

The consideration for the acquisition is $55 million paid by the issue of 64,100,633 Shares (post consolidation on a one for five basis) in the Company and the issue of 27,566,034 Employee Options, with a further $20 million payable by the issue of 23,309,321 Performance Shares and 10,024,013 Employee Performance Options. If the Company attains a JORC Code compliant inferred resource of at

least 650 million tonnes of coal in respect of one or more of the areas within the portfolio of tenements and applications by 30 September 2014, the Performance Shares will convert into Shares and the Employee Performance Options will be exercisable for Shares. The Employee Options have a nil exercise price and will be exercisable for Shares in the Company at any time between the date that is 18 months following issue and five years after that date, subject to certain rights of earlier exercise and to certain circumstances of earlier expiry. The Employee Performance Options are issued on the same terms as the Employee Options except that they are subject to achieving the Milestone by the Milestone Date and may be exercised after the date that is the earlier of the date that is 24 months following issue if the Milestone has been achieved, an earlier date if there is a change in control if the Milestone has been achieved, and the date the Milestone is achieved if it occurs after 24 months following issue, but before the Milestone Date. The Employee Performance Options expire five years after 24 months following issue.

The price of the Shares proposed to be issued is based on the price per share to be offered under this Prospectus for the proposed capital raising namely, $0.60 per Share.

The terms of the issue of such Shares will also be the same as the terms of issue under this Prospectus. The Employee Options and the Employee Performance Options will be issued under an employee option plan adopted by the Company.

The completion of the Acquisition and the issue of such securities to the vendors will be subject to shareholder approval.

The Acquisition is subject to the passing of a number of resolutions at a general meeting of Shareholders to be held on 31 October 2011. The resolutions deal with matters relating to the Acquisition and the Prospectus including the change in nature and scale of the Company's activities, a consolidation of the Existing Shares on the basis of one for five, the issue of Shares and Performance Shares to Saul Geological, Saul Geological, Gordon Saul and Lynn Saul acquiring a relevant interest in the voting shares of the Company, the issue of Employee Options and Employee Performance Options to the Optionholders and the issue of New Shares under this Prospectus. If the relevant resolutions are passed, it is planned that the Offer period will close and the New Shares will be issued within three weeks after the general meeting and the Acquisition completed at approximately the same time as the issue of the New Shares. The proposed timetable is set out in section 3.1.

The Company has appointed Bell Potter Securities Limited as lead manager and broker to the Offer.

The Company presently has on issue 34,500,158 Shares on a pre-consolidation basis (or 6,900,032 million Shares on a post-consolidation basis, subject to rounding), so the issue would increase the Company's size by almost five times. Combined with the shares and employee options to be issued to Saul Geological and the Optionholders as consideration for the Acquisition, the Company's size will increase by approximately twenty four times (on a fully diluted basis and assuming the performance hurdle is met).

While the Company has engaged Bell Potter Securities Limited as its lead manager to the Offer and expects new investors to participate in the Offer, I encourage Shareholders to consider the merits of the Offer. Within the Offer, a priority offer of up to 3.34 million New Shares has been set aside for Shareholders at the date of this Prospectus whose Application Forms are received within the first three weeks of the Offer opening (see section 4.4 for more details). After that time, Shareholders can still apply but such Applications will be subject to any necessary scale-back which may eventuate if Applications exceed the maximum number of New Shares to be issued under the Offer.

As the Acquisition constitutes a significant change in the scale of activities of the Company, the Company is required to satisfy the re-listing requirements under Chapters 1 and 2 of the ASX Listing Rules.

Assuming the resolutions proposed at the general meeting are approved, and the Consolidation and this capital raising is completed, the Company expects to satisfy the various ASX requirements for re-listing and to have its Shares quoted on a post-consolidation basis.

If the Acquisition is successful the Directors will resign and will be replaced by Gordon Saul as managing director and Dave Mathew as chairman and Greg Clark and Michael Howard as non executive directors. The New Directors have a blend of commercial, financial and technical expertise that will allow the Company the opportunity to fully evaluate the coal assets and take advantage of opportunities that may arise in the future.

While the Directors believe the Company's prospects are exciting, any investment of this nature must be considered speculative. It is important that the information contained in this Prospectus is read with care.

On behalf of the Directors, I commend this investment to you and look forward to the successful dawning of a new era for the Company.

Yours sincerely

Stephen Sedgman
Chairman

# 3. Important Dates and Key Statistics

## 3.1 Important Dates

| Event | Date |
|---|---|
| Lodgement of prospectus with ASIC | 23 September 2011 |
| Opening date of prospectus offer | 23 September 2011 |
| Dispatch of notice of meeting and explanatory statement | 30 September 2011 |
| Suspension of the Shares | 31 October 2011 |
| EGM and AGM | 31 October 2011 |
| Prospectus closing date | 7 November 2011 |
| Last day to register transfers on pre consolidation basis | 8 November 2011 |
| Issue of New Shares | 11 November 2011 |
| Dispatch of holding statements | 15 November 2011 |
| Trading in the Shares resume | 18 November 2011 |

The dates shown in the table above are indicative only and may be varied. The Company reserves the right to vary the Closing Date without prior notice, which will have a consequential effect on other dates. Accordingly, Applicants are encouraged to submit their Applications as soon as possible after the Offer opens.

## 3.2 Key Statistics

| At Maximum Subscription | Under the Offer* | Equivalent on pre-consolidation basis |
|---|---|---|
| Current Shares on issue | 6,900,032 | 34,500,158 |
| Shares to be issued to Saul Geological as part consideration for the Acquisition | 64,100,633 | 320,503,165 |
| Performance Shares to be issued to Saul Geological as part consideration for the Acquisition | 23,309,321 | 116,546,605 |
| Employee Options to be issued as part consideration for the Acquisition | 27,566,034 | 137,830,170 |
| Employee Performance Options to be issued as consideration for the Acquisition | 10,024,013 | 50,120,060 |
| New Shares being offered under this Prospectus | 33,333,333 | 166,666,665 |
| Broker Options | 2,308,251 | 11,541,255 |
| Broker Performance Options | 583,333 | 2,916,665 |

| | | |
|---|---|---|
| Issue price per New Share | $0.60 | $0.12 |
| Shares on issue following the Offer and Acquisition, assuming exercise of Employee Options and Broker Options | 134,208,283 | 671,041,415 |
| Market capitalisation following the Offer and Acquisition (before performance hurdles are met) | $80,524,970 | $80,524,970 |
| Shares on issue following the Offer, Acquisition, conversion of Performance Shares, exercise of Employee Performance Options and Broker Performance Options and satisfaction of performance hurdle | 168,124,950 | 840,624,750 |
| Market capitalisation following the Offer and Acquisition at $0.60 (after performance hurdles are met)* | $100,874,970 | $100,874,970 |

* assumes consolidation on a basis of one-for-five

The Offer is subject to a Minimum Subscription level of 25,000,000 New Shares raising $15 million. At that level the undiluted market capitalisation of the Company would be $77.6 million based on the issue price of $0.60 per New Share.

## 3.3 Shareholding post transaction and raising

The Company's capital structure after the acquisition of Resolve Coal and after the capital raising (assuming the Maximum Subscription) is expected to be as follows:

| Shareholder | Securities if Milestone not met* | Percentage if Milestone not met* | Securities if Milestone met* | Percentage if Milestone met* |
|---|---|---|---|---|
| Saul Geological | 64,100,633 | 47.76% | 87,409,954 | 51.99% |
| Optionholders | 27,566,034 | 20.54% | 37,590,047 | 22.36% |
| Current SPD Shareholders | 6,900,032 | 5.14% | 6,900,032 | 4.10% |
| New Shareholders | 33,333,333 | 24.84% | 33,333,333 | 19.83% |
| Lead manager | 2,308,251 | 1.72% | 2,891,584 | 1.72% |
| Total | 134,208,283 | 100.00% | 168,124,950 | 100.00% |

* assumes Maximum Subscription

## 3.4 Escrow

It is expected that ASX will classify the 64,100,633 Shares and the 23,309,321 Performance Shares to be issued to Saul Geological as part consideration for the Acquisition as restricted securities. This means those Shares are likely to be escrowed for 24 months. ASX may also classify the Employee Options and Employee Performance Options as restricted securities. For further information, see section 15.9.

# 4. Details of the Offer

## 4.1 New Shares Offered for Subscription

The Company is offering for subscription 33,333,333 New Shares at an issue price of $0.60 each payable in full on application. The issue of the New Shares is subject to the conditions set out in section 4.8.

New Shares issued will rank equally in all respects with other Shares. The rights and liabilities attaching to Shares are summarised in section 15.1 of this Prospectus.

The Directors reserve the right to accept Applications for New Shares if these total no less than $15 million, being the Minimum Subscription (see also section 4.8).

The Company reserves the right to reject any Application or to allocate to Applicants fewer New Shares than the number applied for, subject to the terms of the priority offer referred to in section 4.4.

## 4.2 Offer Period

Subscription lists will open after the Prospectus is lodged with ASIC on the Opening Date and will remain open until 5.00pm EST on the Closing Date, subject to the right of the Company to close the Offer before that date or to extend the Closing Date without prior notice. Applicants are therefore encouraged to lodge their Applications as soon as possible after the Opening Date.

## 4.3 How to Apply

Applications must be for a minimum of 5,000 New Shares at the issue price of $0.60 per New Share ($3,000). Applications for more than 5,000 New Shares must be in multiples of 1,000 New Shares.

If you wish to participate in the Offer you may apply by completing the Application Form in accordance with the instructions set out on the reverse of the Application Form.

Additional copies of the Prospectus and Application Form can be obtained from the Company or downloaded from the Company's website at www.spd.com.au.

In addition to Applicants being able to download the Prospectus, the Company will send, on request, a paper copy of the Prospectus and Application Form free of charge during the period for which the Offer is open. Application Forms must not be circulated to prospective Applicants unless accompanied by a copy of the Prospectus.

Applications must be accompanied by payment in full for the New Shares applied for. Payment must be by a cheque or bank draft payable in Australian dollars drawn on an Australian registered bank for the full amount of the Application Money being the number of New Shares applied for multiplied by the issue price of $0.60 per New Share. Cheques or bank drafts should be made payable to “SPD Share Offer Account” and crossed “Not Negotiable”.

All Applications and cheques and bank drafts should be sent to the Share Registry at the address shown on the reverse of the Application Form, so that they are received by the Company no later than 5.00pm EST on the Closing Date.

Clients of the Lead Manager may be provided with alternate instructions for submitting their Application in the Offer and should apply in accordance with such instructions.

The Company will hold all Application Money received on trust on behalf of the Applicants in a separate bank account until the New Shares are issued. If an Application for New Shares is not completely or partially accepted, Application Money held in respect of the New Shares that have not been issued will be returned to the Applicant as soon as practicable and without interest.

## 4.4 Priority Offer to Existing Shareholders

A priority offer of up to 3.34 million New Shares has been set aside for Shareholders as at the date of this Prospectus whose Application Forms are received within the first three weeks of the Offer opening. The Company will limit the number of New Shares it issues to such a Shareholder in the priority offer to the higher of:

- 5% of the total New Shares subject to the priority offer; and
- the number of New Shares the Shareholder would be entitled to under a pro rata issue of the New Shares subject to the priority offer,

with the excess being added to the general pool of Applications.

If the number of New Shares applied for by Shareholders within the first three weeks of the Offer opening exceeds 3.34 million, the Applications will be subject to scale-back (at the directors' discretion) with that part of the Applications that did not achieve priority status being added to the general pool of Applications and subject to any scale-back generally (again, at the directors' discretion).

After the first three weeks of the Offer opening, Shareholders as at the date of this Prospectus can still apply for New Shares but such Applications will be added to the general pool of Applications subject to scale-back if Applications exceed the maximum number of New Shares that can be issued under this Prospectus.

## 4.5 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the New Shares, or the Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia.

The Offer pursuant to an electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

## 4.6 Re-listing of the Company and ASX Quotation of New Shares

As the Acquisition will constitute a significant change in the nature and scale of the Company's activities, ASX has determined that compliance with the re-listing requirements in Chapters 1 and 2 of the Listing Rules is required.

As part of the re-listing process, trading on the Company's Shares on ASX will be suspended from the day of the general meeting (assuming resolution 1 is passed – refer to section 15.10) until ASX is satisfied that the requirements in Chapters 1 and 2 of the Listing Rules have been met.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- a prospectus must be issued and lodged with ASIC;
- the Company must satisfy the shareholder spread requirements relating to the minimum number of shareholders in the Company and the minimum value of the shareholdings of those shareholders;
- the Company must satisfy the "profits test" or "assets test" as set out in Listing Rule 1.3; and
- the issue price of the Shares must be at least 20 cents.

A further requirement is that the exercise price of options must be at least 20 cents. As the Employee Options and the Employee Performance Options to be issued to the Optionholders have a nil exercise price, ASX has granted the Company a waiver of this requirement.

Applicants should be aware that ASX will not quote the New Shares until the Company complies with Chapters 1 and 2 of the Listing Rules and, as such, there is a risk that the New Shares will not be able to be traded for some time.

Application will be made to ASX within seven days of the date of this Prospectus for quotation of the New Shares. The fact that ASX may quote the New Shares is not to be taken as an indication of the merits of the Company or the New Shares being issued.

If application for quotation is not made within seven days after the date of this Prospectus or permission for quotation is not granted by ASX within three months after the date of this Prospectus, no New Share offered under the Prospectus will be issued. If no issue is made, all Application Money will be refunded without interest to Applicants within the time period prescribed under the Corporations Act.

## 4.7 CHESS and Issuer Sponsorship

In accordance with the Listing Rules and the ASX Settlement Operating Rules, the Company participates in the CHESS system for the clearing and settlement of transactions in the Company's Shares and the transfer of the Company's Shares.

Applicants will have the choice of holding their New Shares on an issuer sponsored sub-register or on the CHESS sub-register.

Applicants electing to use the issuer sponsored sub-register will be issued with holding statements setting out the number of New Shares they hold. Participants in the issuer sponsored sub-register system will receive a Shareholder Reference Number (SRN).

Applicants electing to use the CHESS sub-register will receive a letter from the Company confirming the number of New Shares issued to them and at the end of the month following issue of the New Shares will receive CHESS holding statements confirming the number of New Shares that have been issued. Participants in the CHESS sub-register will receive a Holding Identification Number (**HIN**).

The Company will not be issuing share certificates for the New Shares.

## 4.8 Issue of New Shares

The issue of New Shares is subject to:

- Applications for the Minimum Subscription of 25,000,000 New Shares being received by 5.00pm EST on the Closing Date;
- the application for the quotation of the New Shares being accepted by ASX within three months after the date of this Prospectus (see section 4.6);
- resolutions 1, 2, 3, 4, 5, 6 and 7 as proposed at the general meeting being passed (see section 15.10); and
- completion under the Share and Option Exchange Agreement.

No New Shares will be issued until the conditions outlined above are fulfilled.

If the conditions outlined above are not fulfilled, the Company will refund all Application Money received. No interest will be paid on money refunded.

It is the responsibility of Applicants to determine their allocation before trading in New Shares. Applicants who sell New Shares before they receive their holding statement do so at their own risk.

## 4.9 Lead Manager to the Offer

The Offer is not underwritten. Bell Potter has been appointed as lead manager to the Offer. Once the Minimum Subscription has been achieved, the Broker Options and Broker Performance Options will be issued to Bell Potter and selling fees as set out in section 15.8 will be payable by the Company to Bell Potter.

## 4.10 No stamp duty, brokerage or commission

No stamp duty, brokerage or commission is payable by Applicants for New Shares under this Offer.

# 5. Company Overview, Strategy and Description of Assets

## 5.1 Overview

The Company was listed on ASX in February 1994. It operated as a registered pooled development fund until December 2007 when its shareholders approved the revocation of its pooled development fund licence.

The Company has since sought to reposition itself by implementing a strategy of focusing its investment activity in the area of asset and wealth management based businesses.

The Company has recently entered into a conditional share and option exchange agreement with Saul Geological and the Optionholders to acquire all of the issued shares and employee options in Resolve Coal. The assets of Resolve Coal are rights to acquire a portfolio of coal assets located in Queensland, Australia along with one application for a Queensland coal exploration permit and four applications for Canadian coal licences.

## 5.2 Strategy

The Company's strategy is to focus on coal exploration, development and, if the Company discovers commercial quantities of coal, production.

To fulfil this strategy, the Company is acquiring a package of coal tenements with short, medium and long-term potential comprising a number of exploration permits in Queensland, Australia which have high potential for discovery of coal in the short to medium terms. In addition the Company is also acquiring a number of exploration permit applications in Queensland and British Columbia, Canada.

The successful acquisition of this package of assets will be the foundation to provide the financial resources to grow the Company through a combination of successful exploration and further acquisition of coal assets and opportunities.

In relation to such opportunities, Resolve Geo is assessing coal assets and opportunities in Colombia, South America. Resolve Geo has advised the Company that, subject to completion of the acquisition of the Coal Assets and subject to its assessment of the Colombia opportunity, it intends to bring that opportunity to the Company in the first instance to give the Company the opportunity to consider acquiring the Colombian coal assets and opportunities. Of course, any such acquisition would be dependent on the Company and Resolve Geo being able to reach mutually agreeable acquisition terms and all necessary shareholder, governmental and other approvals being obtained.

## 5.3 Structure of Acquisition

SPD proposes to acquire all of the issued shares and employee options in Resolve Coal from Saul Geological and the Optionholders for the issue of 64,100,633 Shares and 27,566,034 Employee Options in SPD, with a further 23,309,321 Performance Shares and 10,024,013 Employee Performance Options. As at the date of this Prospectus the shares in Resolve Coal are not held by Saul Geological. A condition precedent in the Share and Option Exchange Agreement provides that all the shares in Resolve Coal be transferred from Resolve Geo to Saul Geological, so that SPD may acquire them from Saul Geological on completion of the Share and Option Exchange Agreement. The number of shares and employee options has been calculated using the issue price used in the prospectus, namely $0.60 per Share. Both the number and issue price of the shares and employee options are on a post consolidation basis.

The portfolio of coal assets that Resolve Coal either holds or has rights to acquire are located in Queensland, Australia and British Columbia, Canada. Resolve Coal has entered into a sale of assets agreement with Resolve Geo to acquire from Resolve Geo:

- five coal exploration permits in Queensland; and
- applications for two further coal exploration permits in Queensland (one of which has since been granted), along with the coal exploration permits upon those applications being granted,

with all transfers subject to necessary ministerial or government approvals, as the case may be.

Resolve Coal has also made the following further applications:

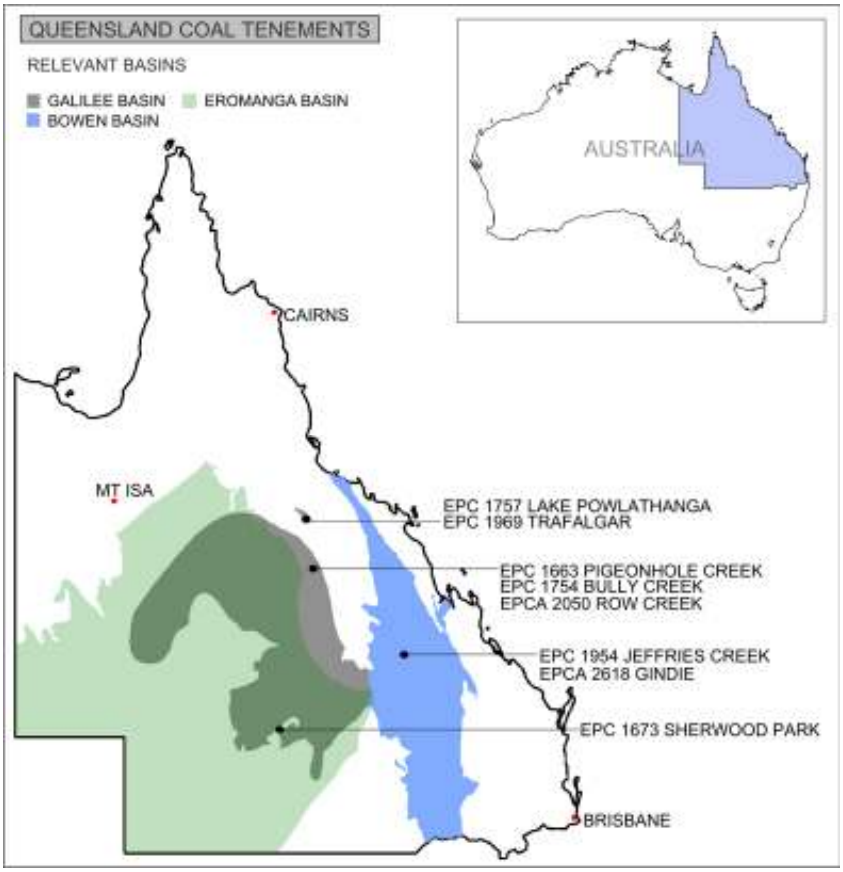
- one application for a Queensland coal exploration permit; and
- four applications for coal licences in British Columbia, Canada.

## 5.4 Description of assets

**Assets in Queensland, Australia**

The tenements and applications for tenements in Queensland, Australia are listed below:

| Tenement Number | Title | Location | Coal Type | Mining Method | Size ($km^2$) | Resolve Holding % | Date Applied/ Granted | Tenure Length (years) |
|---|---|---|---|---|---|---|---|---|
| EPC 1663 | Pigeonhole Creek | Galilee Basin | Thermal Coal | Opencut | 38.31 | 100 | 26/11/2010 | 5 |
| EPC 1754 | Bully Creek | Galilee Basin | Thermal Coal | Opencut | 156.5 | 100 | 29/10/2010 | 5 |
| EPC 1673 | Sherwood Park | Eromanga Basin | Thermal Coal | Opencut | 903.2 | 100 | 29/10/2010 | 5 |
| EPC 1954 | Jeffries Creek | Bowen Basin | Thermal/ Coking Coal | Underground | 34.56 | 100 | 04/02/2011 | 5 |
| EPCA 2618 | Gindie | Bowen Basin | Thermal/ Coking Coal | Underground | 47.17 | 100 | 21/06/2011 | 5 |
| EPCA 2050 | Row Creek | Galilee Basin | Thermal Coal | Opencut | 79.89 | 100 | 02/02/2010 | 5 |
| EPC 1857 | Lake Powlathanga | Galilee Basin | Thermal Coal | Opencut | 290 | 100 | 26/07/2011 | 5 |
| EPC 1969 | Trafalgar | Galilee Basin | Thermal Coal | Opencut | 161 | 100 | 21/04/2011 | 5 |




**Jeffries Creek – EPC 1954**

The Jeffries Creek tenement is ideally located 30km south of Emerald, a major township with an existing mining service industry. It is also within 5km of an existing coal rail line. The tenement is located in the Cullin La Ringo deposit area. A total of 17 seams have been identified with the target seams including the Delta, Iota, Kappa, Omicron and Pi Seams. Average seam thickness is ca. 1.7m, 7.2m, 1.9m, 4.6m and 2.2m, respectively.

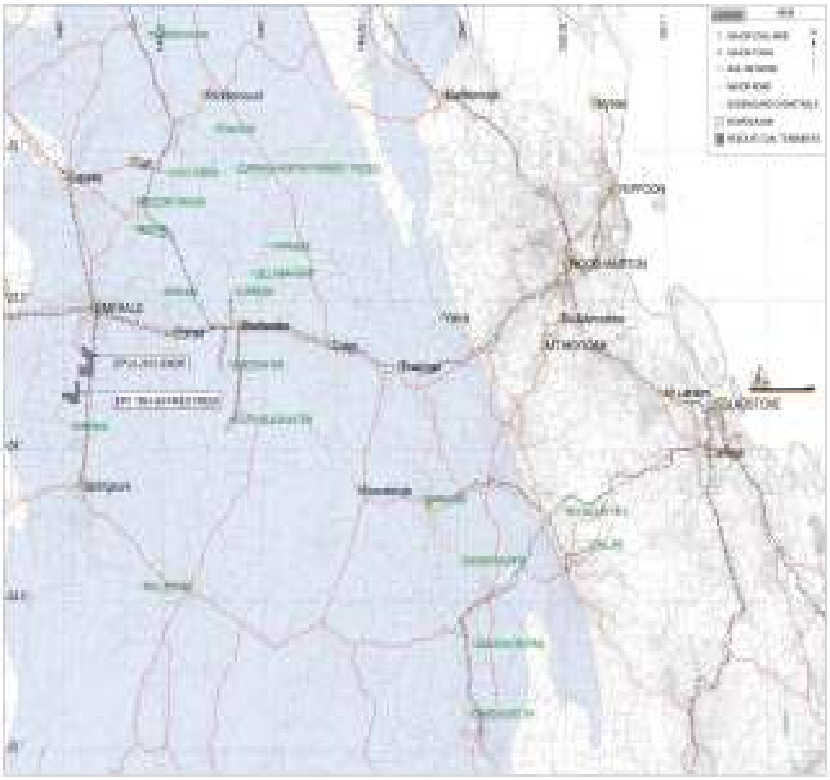
Coal quality when averaged from throughout the Cullin La Ringo deposit, which includes the Jeffries Creek deposit, can be compared to that from BHP Billiton Mitsubishi Alliance's Gregory open cut coal mine, where the product mix includes a significant proportion of UHV semi soft coking coal, and a thermal coal fraction. A significant proportion of the product from this deposit may also include a high volatile PCI coal.

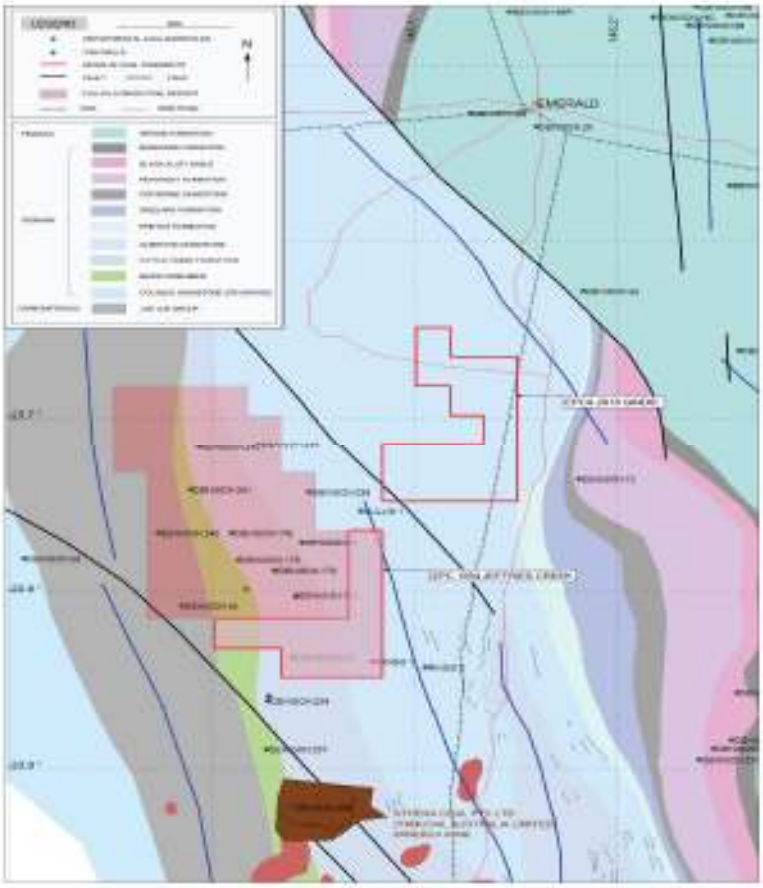
**Gindie – EPCA 2618**

The Gindie area is located as shown below.

The tenement application area is situated approximately 15km south of Emerald, occupying a region immediately east of the Fairbairn Dam. The area is accessed from Emerald by travel south along the Gregory Highway towards Springsure.

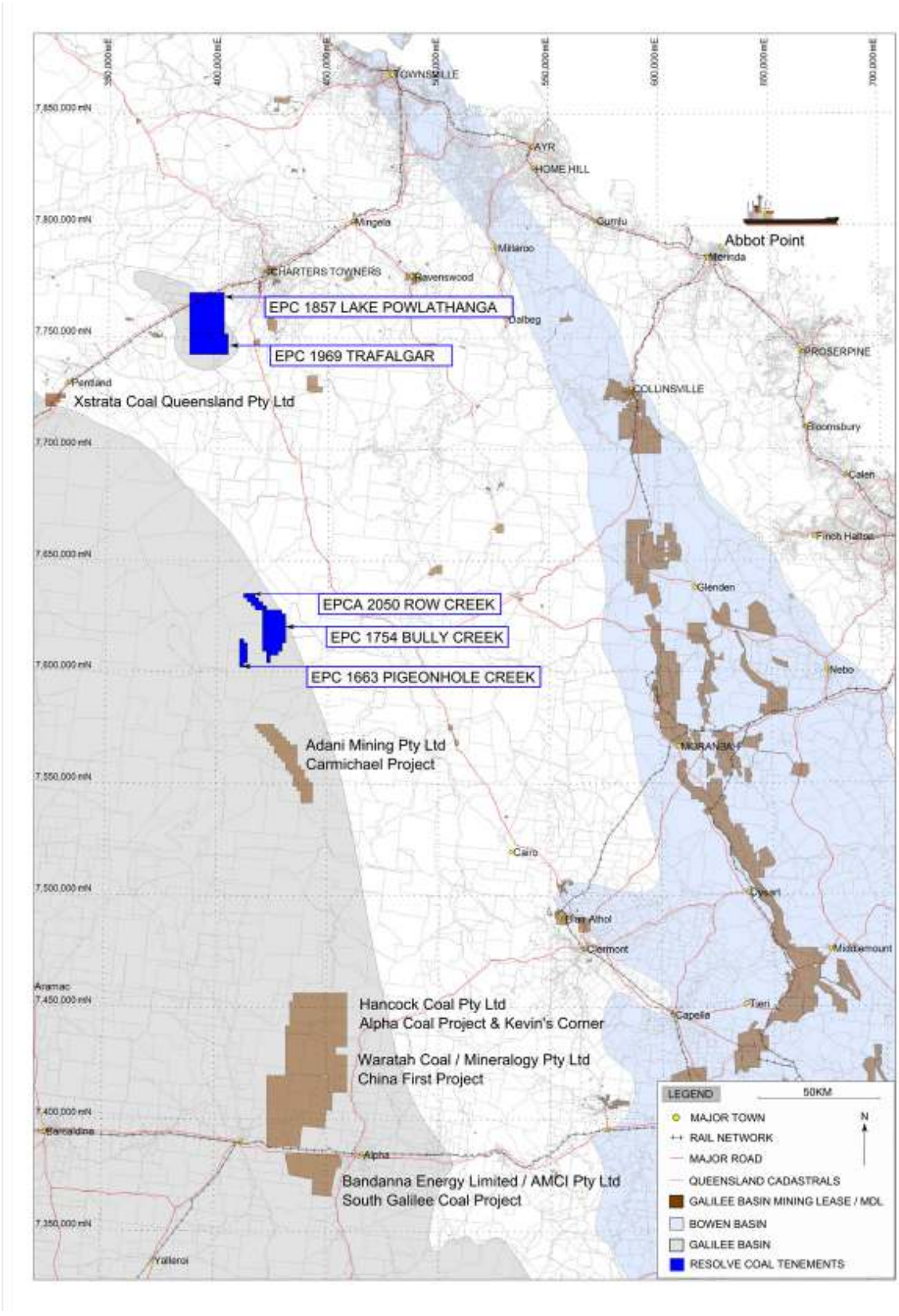
The target area is located within the southwest portion of the Bowen Basin along the northwest margin of the Denison Trough. The tenement targets potential underground development within the coal bearing strata of the early Permian Reids Dome Beds, similar to that in Jeffries Creek tenement. The Reids Dome Beds gently dip east into the axis of the Denison Trough, and are overlain by the Cattle Creek Group. Mesozoic sediments are absent, only Tertiary sediments and basalts lie above the Permian strata.


EMERALD
ROCKHAMPTON
GLADSTONE


EMERALD

**Galilee Tenements – EPC 1857, EPC 1969, EPC 1663, EPC 1754 and EPCA 2050**

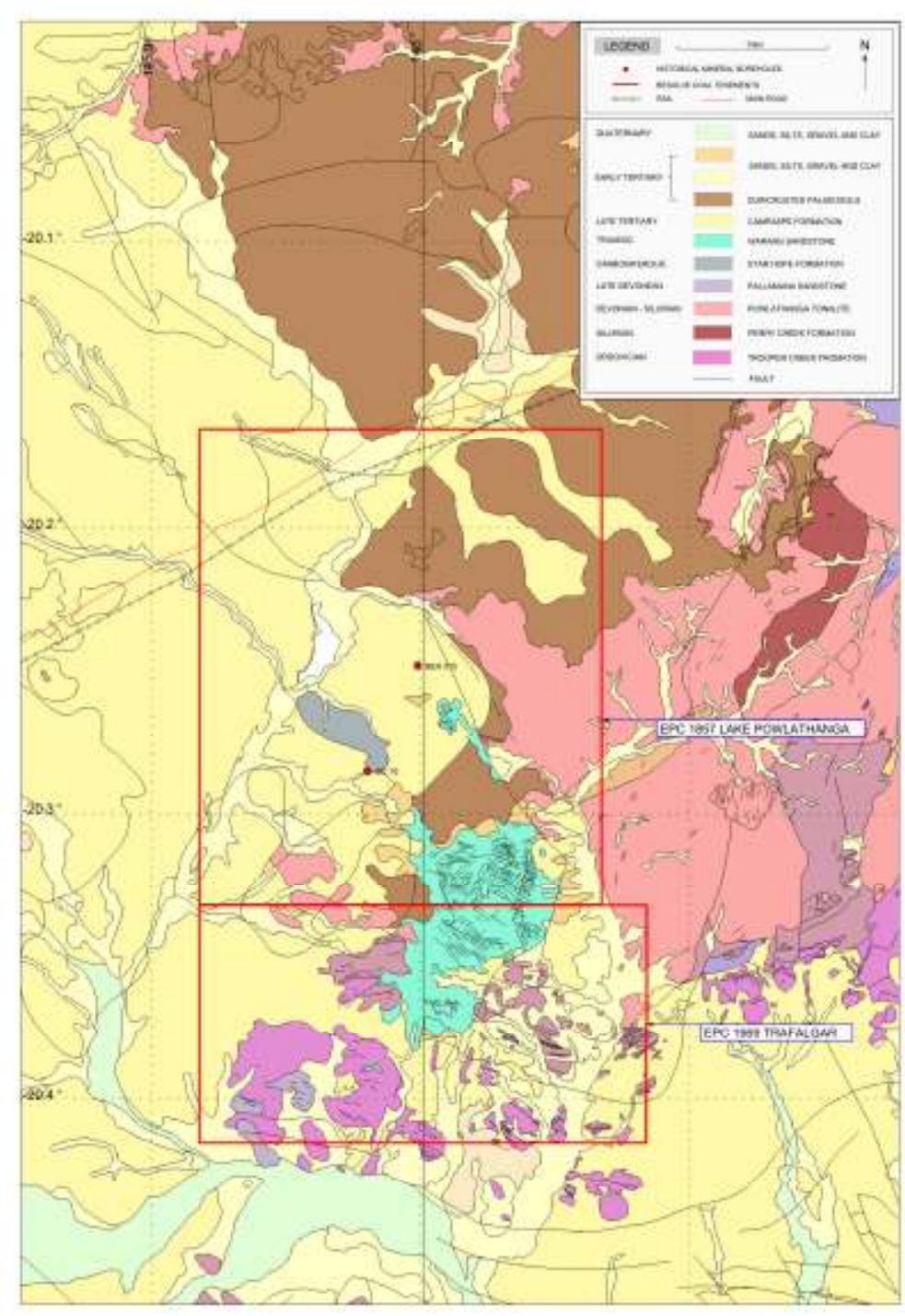
The Galilee tenement and application areas are shown below.



**Lake Powlathanga / Trafalgar – EPC 1857 & EPC 1969 – Galilee Basin**

The tenements are located approximately 20km south west of Charters Towers and are transected by the Mt Isa to Townsville rail line, within 260km of the Abbot Point coal terminal.

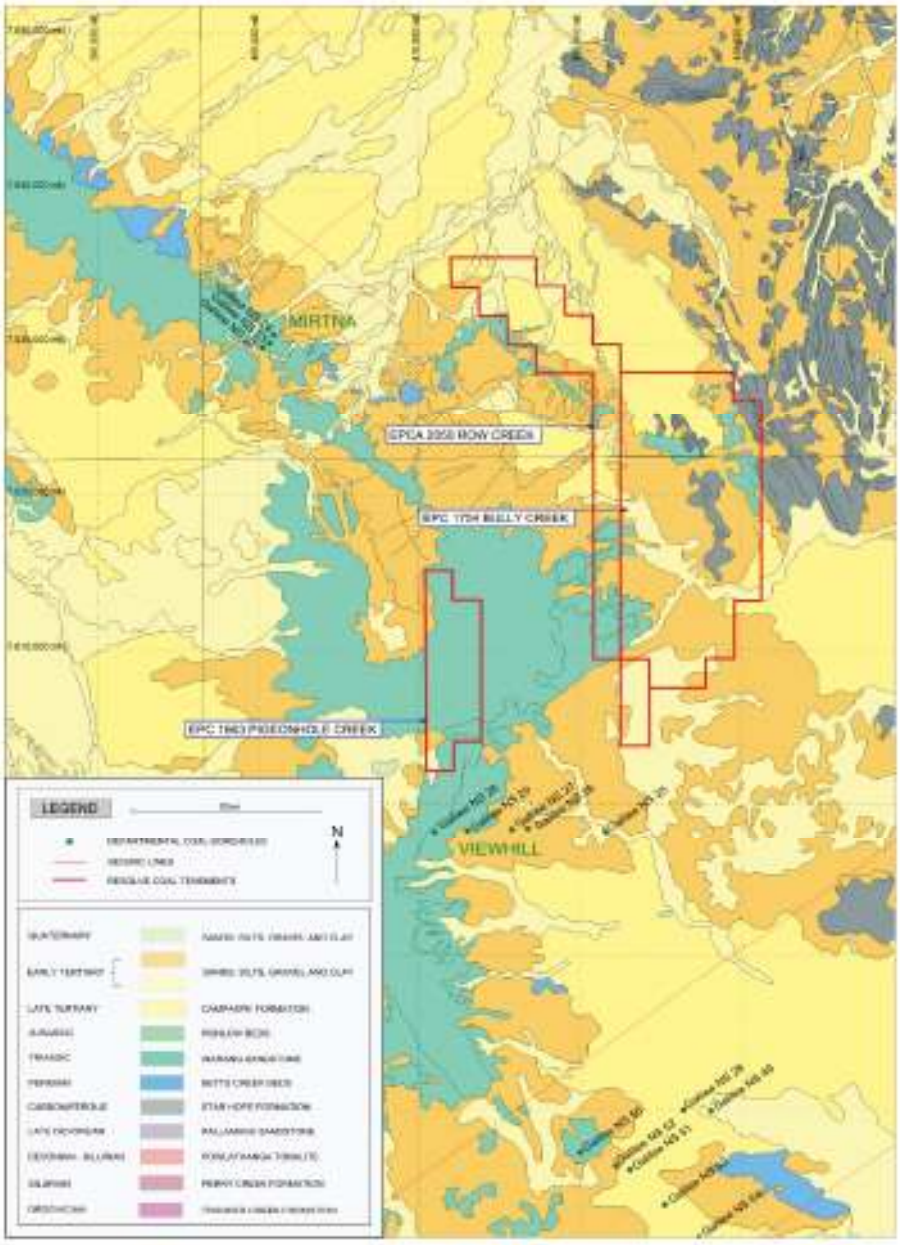
The tenements target the coal within the Betts Creek Beds. While no coal quality data is available, two mineral holes some years ago intersected 6m of coal at 41m depth and 2.8m of coal at 40.5m. The nearest coal quality data comes from the Pentland Mine Development Lease owned by Xstrata Coal approximately 70km to the south west, indicating the likelihood of a high volatile bituminous coal endowment within these tenements.



**Pigeonhole Creek / Bully Creek / Row Creek – EPC 1663, EPC 1754 and EPCA 2050 - Galilee Basin**

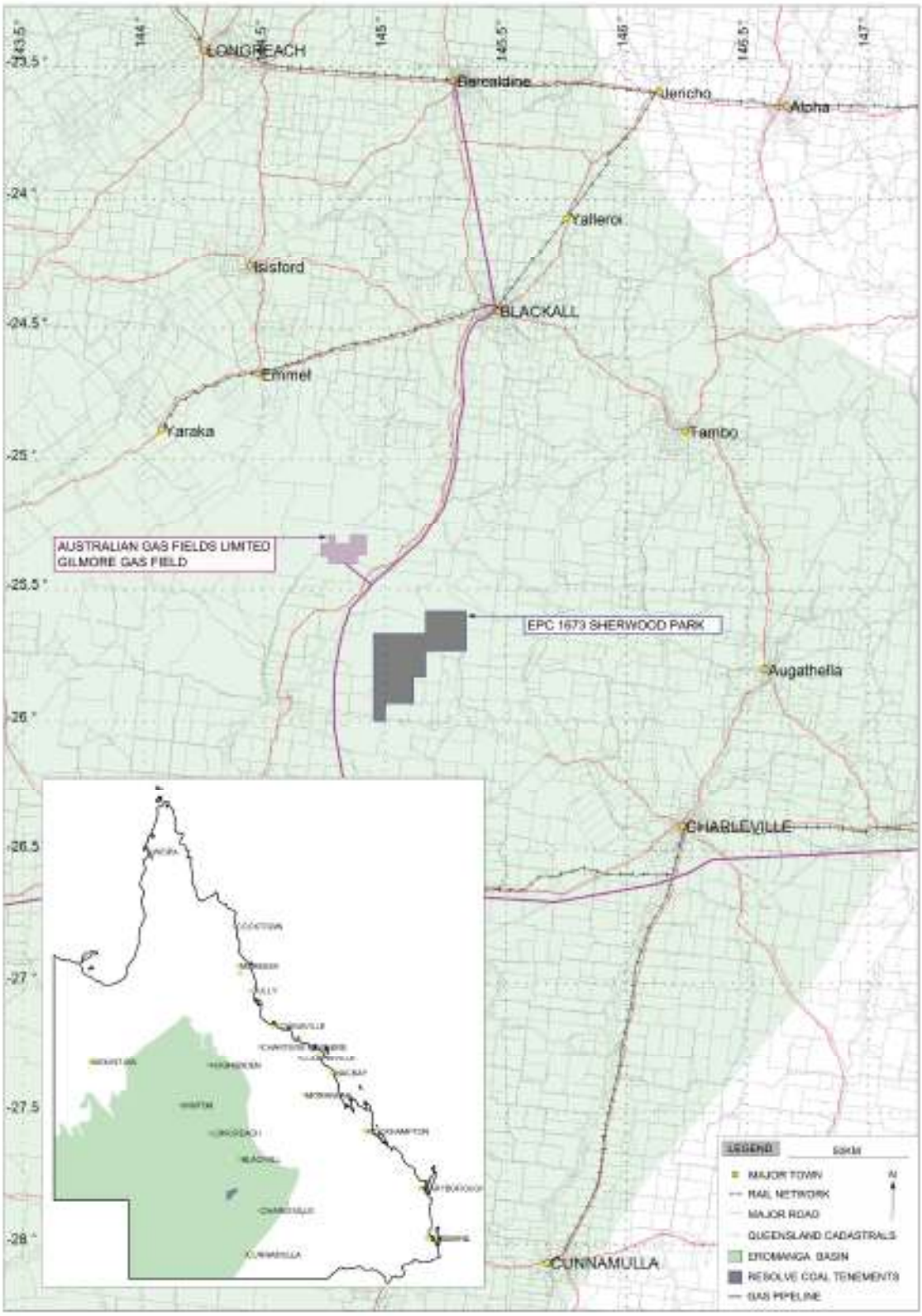
The two tenements and one application area in this package are located in the north east Galilee Basin and also target the Betts Creek Beds. The location of these tenements and application areas is currently not within easy reach of infrastructure. However, the planned rail infrastructure supporting the Hancock or Adani projects would mean these tenements and application area would be within 45km to 65km of a new heavy open access rail line.

The target is high volatile bituminous thermal coal. The Queensland Government View Hill drilling programme (5km south of EPC 1663) identified a workable cumulative coal section of 39.2m. Very large resource tonnages have been reported from the adjoining Vale and Macmines tenements.

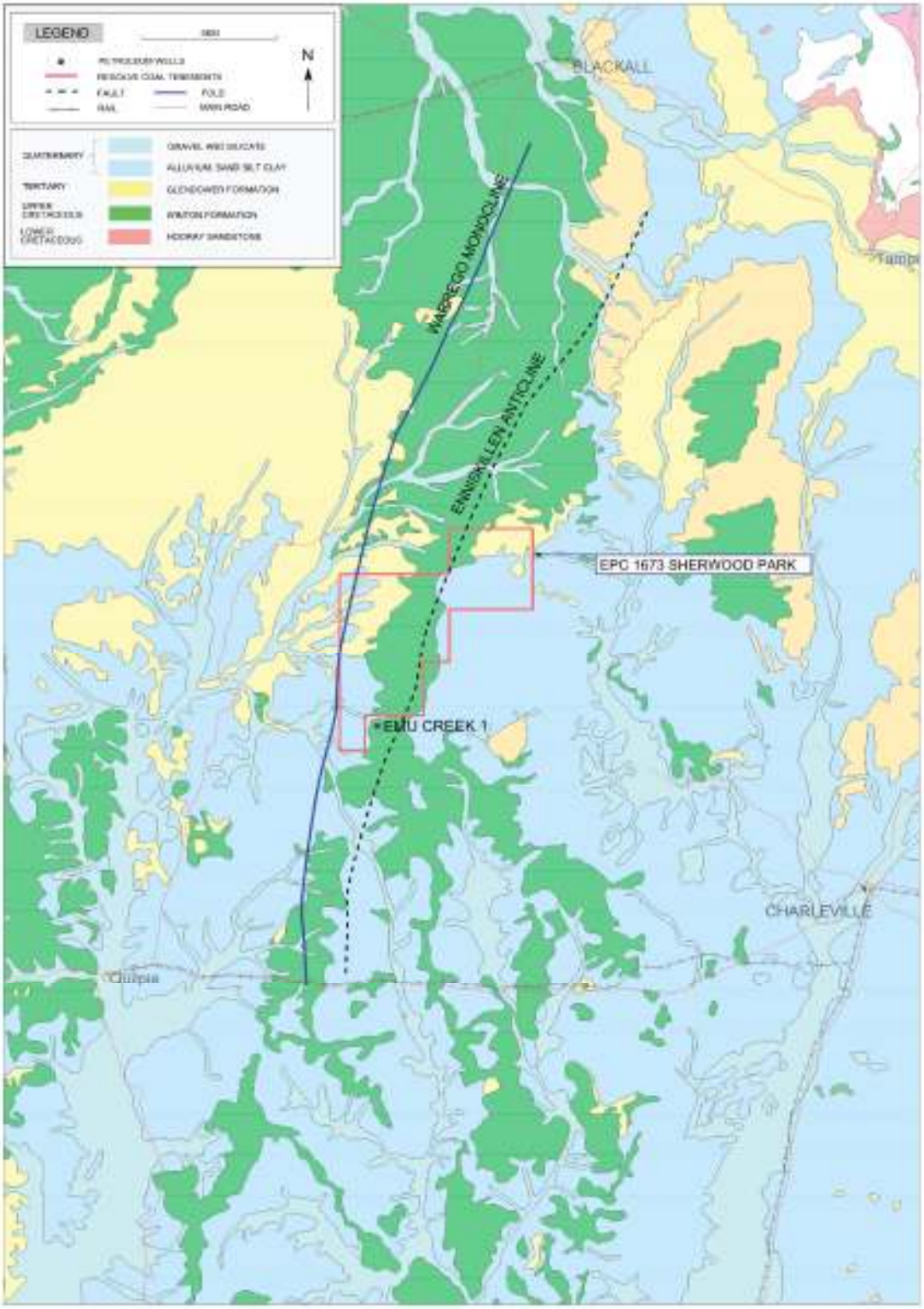


**Sherwood Park – EPC 1673 - Eromanga**

The Sherwood Park area is located as shown below.



This tenement is located 140km north west of Charleville and 70km north of existing rail infrastructure. The target here is low ash, thick sub-bituminous coal. The Winton formation runs through the centre of the lease with coals traced through petroleum holes and water bores ranging in depth from 40m to 800m. The tenement has coal gasification rights over 75% (692km$^2$). The petroleum pipeline servicing the Gilmore Gas Field is accessible to the tenement.




In addition to the applications described above, Resolve Coal has the rights to acquire EPCA 2341, known as Sandlands Creek, from Resolve Geo. This application area is located in the north east Galilee

Basin near Pigeon Hole Creek, Billy Creek and Row Creek. However, the EPCA 2341 is a competing application and is not expected to be granted to Resolve Geo.

**Assets in British Columbia, Canada**

Resolve Coal has applied for four coal licences in the Peace River coal field, north east British Columbia and Western Canada as listed below:

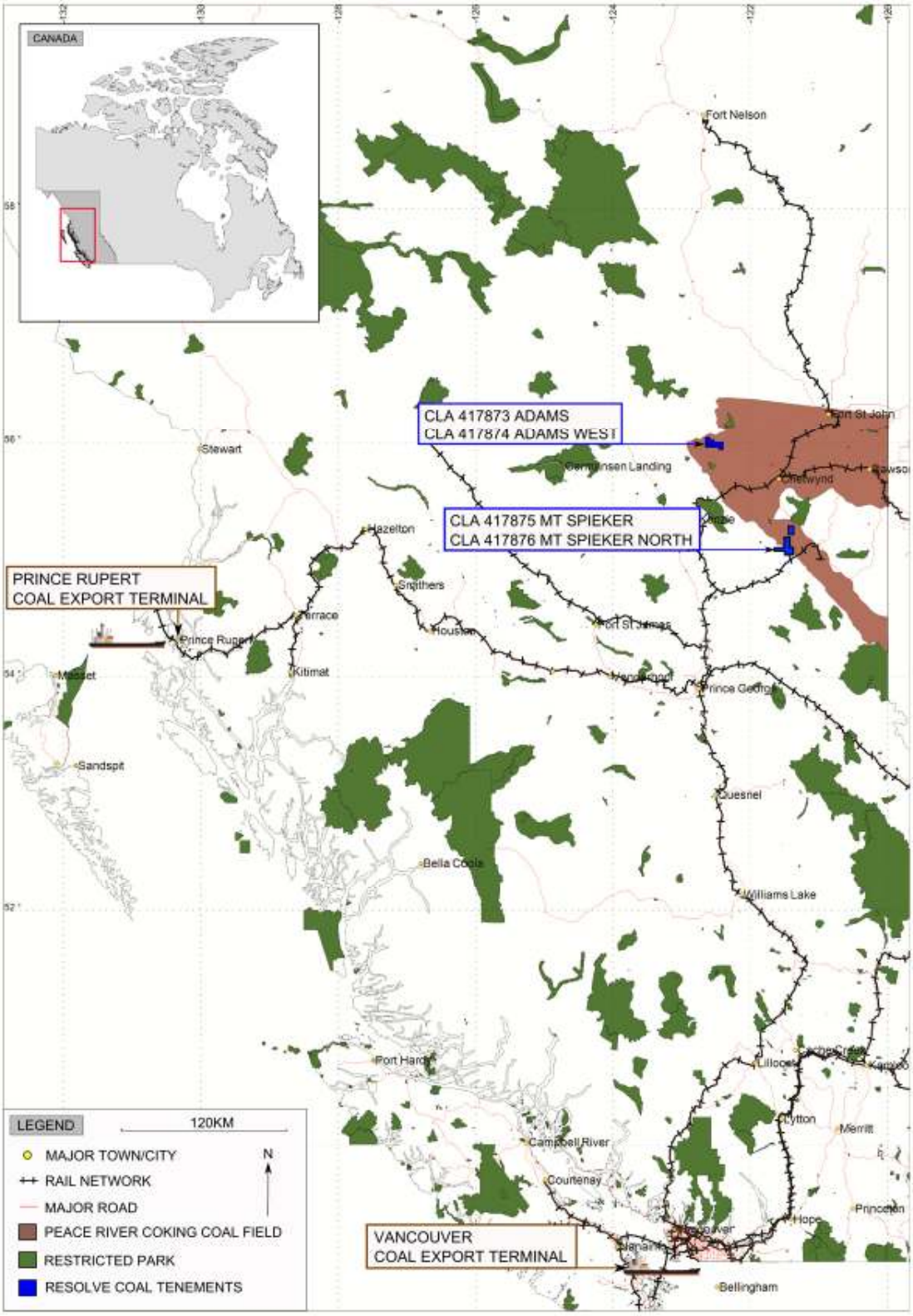
| Tenement Number | Title | Location | Coal Type | Mining Method | Size ($km^2$) | Resolve Holding % | Date Applied | Tenure Length (years) |
|---|---|---|---|---|---|---|---|---|
| CLA 417875 | Mt Spieker South | British Columbia | Coking Coal | Opencut/ Underground | 13.27 | 100 | 29/6/2011 | 30 |
| CLA 417876 | Mt Spieker North | British Columbia | Coking Coal | Opencut | 4.42 | 100 | 29/6/2011 | 30 |
| CLA 417873 | Adams | British Columbia | Coking Coal | Opencut/ Underground | 14.41 | 100 | 29/6/2011 | 30 |
| CLA 417874 | Adams West | British Columbia | Coking Coal | Underground | 2.88 | 100 | 29/6/2011 | 30 |

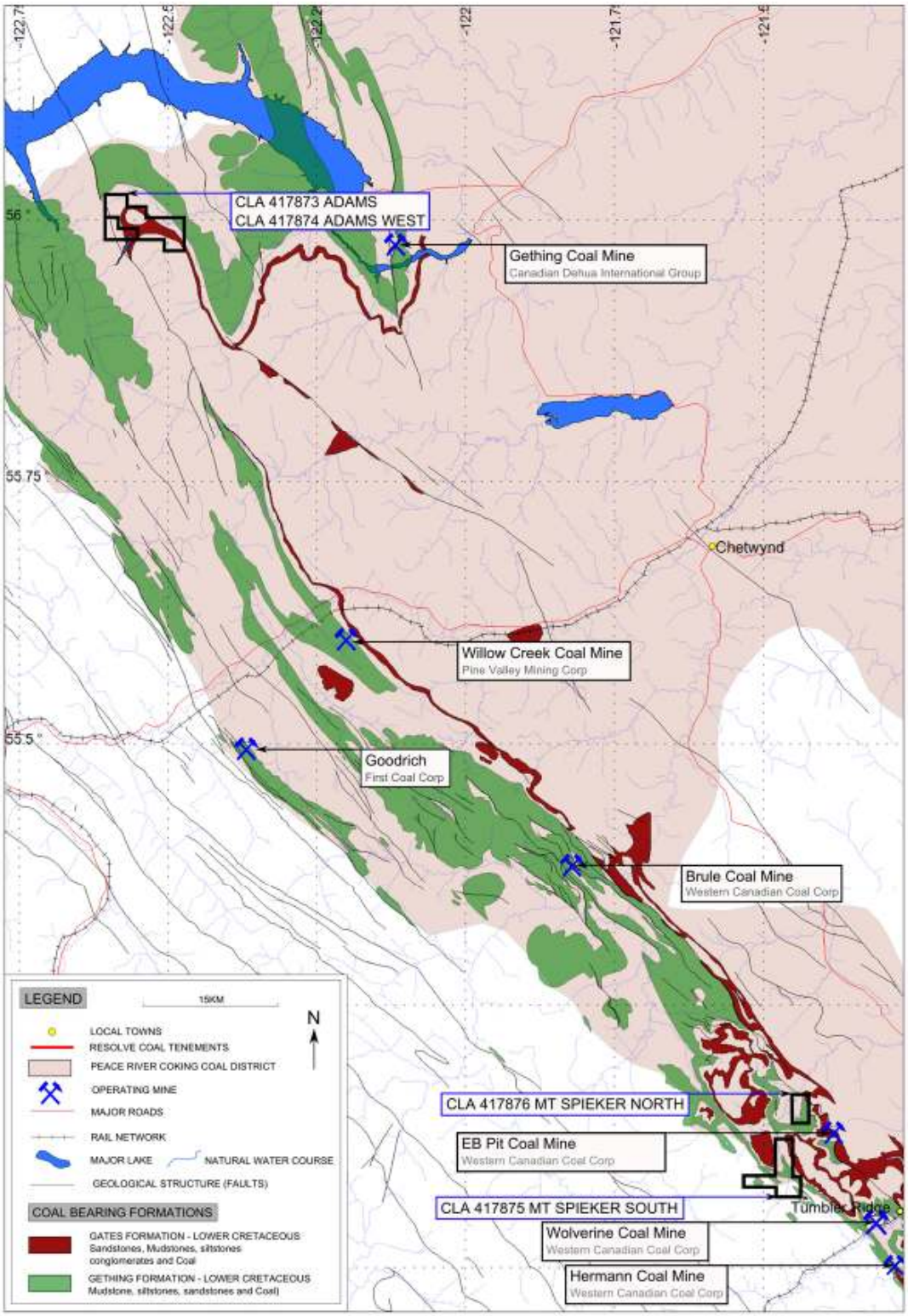
Coal types in this region are predominantly hard coking coal. Coal bore holes with coal quality data exist within the South Mt Spieker application area and they indicate a good quality coking coal resource. Boreholes in the immediate vicinity of the other three license applications show numerous coal seams with good coking properties.

All four application areas enjoy major infrastructure advantages. The Adams application areas are located within a mature coking coal basin adjacent to a number of active mines. There is existing heavy coal rail infrastructure approximately 42km to the south east. The Mt Spieker application areas are likewise well located close to existing mines and infrastructure with the nearest heavy coal rail line 8km to the south east.

Production from these areas would, in due course, be shipped via rail (currently surplus capacity) 900km west to the Port of Prince Rupert, a deep water port on the Pacific Coast with existing capacity and a substantial ability to expand.

British Columbia is Canada's largest exporter of coal and second biggest exporter of metallurgical coal globally.


CANADA
CLA 417873 ADAMS
CLA 417874 ADAMS WEST
CLA 417875 MT SPIEKER
CLA 417876 MT SPIEKER NORTH
PRINCE RUPERT
COAL EXPORT TERMINAL
VANCOUVER
COAL EXPORT TERMINAL
Fort Nelson
Fort St John
Dawson
Chetwynd
Stewart
Dease Lake
Hazelton
Smithers
Terrace
Prince Rupert
Houston
Fort St James
Kitimat
Prince George
Masset
Sandspit
Quesnel
Bella Coola
Williams Lake
Port Hardy
Lillooet
Lytton
Merritt
Campbell River
Courtenay
Hope
Princeton
Vancouver
Bellingham
LEGEND
120KM
N
MAJOR TOWN/CITY
RAIL NETWORK
MAJOR ROAD
PEACE RIVER COKING COAL FIELD
RESTRICTED PARK
RESOLVE COAL TENEMENTS




**For further information**

For further information on the Coal Tenement Assets please refer to the Independent Geologist's Report in section 7.

## 5.5 Coal Exploration Targets

The table below sets out the exploration targets for the various tenements that have been estimated by the Company. The range of exploration targets have been estimated by the Company based on a competent person's reportage of points of observation both within, and proximal to the tenement footprint. Exploration targets are supported by further interpretive data, including outcrop mapping, seismic data acquisition and interpretation, petroleum well intersections of coal seams and water bore coal intersections.

| | Tenure No. | Name | Coal Type | Mining Method | Exploration Target (MT) (Lower Estimate) | Exploration Target (MT) (Upper Estimate) |
|---|---|---|---|---|---|---|
| Australia | EPC1954 | Jeffries Creek | Thermal/PCI/ Coking? | UG | 890 | 1,670 |
| | EPC1969 & EPC1857 | Lake Powlathanga & Trafalgar | Thermal | OC | 320 | 540 |
| | EPC1663, 1754, EPCA2050 | Pigeonhole Creek, Bully Creek, Row Creek | Thermal | OC | 5,670 | 9,970 |
| | EPC1673 | Sherwood Park | Thermal | OC | 1,420 | 2,430 |
| Canada | British Columbia | Adams | Coking | OC/UG | 90 | 270 |
| | British Columbia | Mt Spieker | Coking | OC/UG | 26 | 46 |
| | | TOTALS (MT) | | AUSTRALIA | **8,400** | **14,610** |
| | | TOTALS (MT) | | CANADA | **116** | **316** |
| | | TOTALS (MT) | | ALL | **8,516** | **14,926** |

The potential quantity and grade of the exploration targets set out in the above table are conceptual in nature, there has been insufficient exploration to define a mineral resource for the purposes of the JORC Code, and it is uncertain if further exploration will result in the determination of a mineral resource as defined in the JORC Code. You are cautioned not to place any undue reliance on the above and are referred to other risks set out in section 13.

## 5.6 Development Timetable

The table below sets out the Company's estimates of when it expects to achieve the various JORC resource and when it expects production to commence, subject to achieving such JORC resource.

| Project | Calendar Year | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| **Australia** | | | | | | |
| Jeffries Creek | JORC Inferred & Indicated | JORC Measured | Pre Feasibility | Full Feasibility Completion or EIS and ML Application | Mine Development Production | Production |
| Lake Powlathanga Trafalgar | JORC Inferred & Indicated | JORC Measured | Pre Feasibility | Full Feasibility Completion of EIS and ML Application | Mine Development Production | Production |
| Pigeonhole Creek, Bully Creek, Row Creek | JORC Inferred & Indicated | JORC Measured | Pre Feasibility Initiation of EIS | Full Feasibility Completion of EIS | ML Application Infrastructure Development | Mine Development Production |
| Gindie | Resource Identification JORC Inferred | JORC Indicated | JORC Measured | Pre Feasibility | Full Feasibility Completion of EIS | ML Application/Mine Development |
| Sherwood Park | Geological Testing, Resource Identification | JORC Inferred | JORC Indicated | JORC Measured | Full Feasibility Completion of EIS | ML Application/Mine Development |
| **Canada** | | | | | | |
| Adams & Adams West | JORC Inferred & Indicated | JORC Measured | Pre Feasibility | Full Feasibility Completion of EIS | Mine Development Production | Production |
| Mt Spieker North & South | JORC Measured Pre Feasibility | Full Feasibility Completion of EIS | ML Application Mine Development | Mine Development Production | Production | Production |

The references above to the potential to define a mineral resource for the purposes of the JORC Code are estimates only. It is uncertain whether or not future exploration will result in the potential to define the above mineral resources for the purposes of the JORC Code, and there is no guarantee that any of the potential mineral resource for the JORC Code would be defined in the estimated time frames, or at all.

Accordingly there is also no guarantee that any of the tenements would achieve production in the estimated time frames, or at all.

The estimates in this section and in the above tables are in the nature of forward looking statements, are only predictions and views of the Company as at the date of the Prospectus, and are subject to inherent risks and uncertainties. Actual results and timing may differ materially from the results and timing set out or implied above. You are cautioned not to place any undue reliance on the above and are referred to other risks set out in section 13.

# 6. Proposed Use of Funds

The purpose of the Offer is to provide the Company with sufficient funds to fund continued exploration and development of the Coal Assets, pay the costs of the Offer and to add to working capital.

After the Acquisition, the Company will seek to continue the exploration and development of the Coal Assets with funds allocated as follows:

- drilling ($6.69 million);
- assessing coal quality ($3.34 million);
- geophysical data acquisition ($1.67 million);
- working capital ($3.34 million).

The programs are designed to be sufficiently flexible to allow for amendment following the results of the early exploration data.

The proposed use of funds following the completion of the Offer is:

| | **$'000 minimum subscription** | **$'000 maximum subscription** |
|---|---|---|
| Cash on-hand, pre-Offer | 2,131 | 2,131 |
| Capital raised by the Offer | 15,000 | 20,000 |
| Funds available | 17,131 | 22,131 |
| Acquisition costs (including stamp duty) | 170 | 170 |
| Expenses of the Offer | 1,010 | 1,260 |
| Working capital | 15,951 | 20,701 |
| Total application of funds | 17,131 | 22,131 |

**Exploration Program**

The exploration program for the licences through to the end of calendar 2013 (subject to change) is outlined below. The table below sets out the Company's estimates of the expenditure needed to achieve inferred, indicated or measured mineral resource definition for the purposes of the JORC Code, and it is uncertain whether or not future exploration (whether in the amounts listed below or otherwise) will define a mineral resource for the purposes of the JORC Code.

| | **Bowen** | **Bowen** | **Eromanga** | **Galilee** | **Galilee** | **Galilee** |
|---|---|---|---|---|---|---|
| | EPC1954 - Jeffries Creek | EPCA2618 - Gindie | EPC1673 Sherwood Park | EPC1754 - Bully Creek | EPC1663 - Pigeonhole Creek | EPC2050 - Row Creek |
| Exploration Target | $713,097 | $917,908 | $409,717 | $432,014 | $335,709 | $439,827 |
| Inferred | $1,377,154 | $2,500 | $37,500 | $987,429 | $940,553 | $1,101,648 |
| Indicated | $631,907 | $2,500 | $37,500 | $235,132 | $2,500 | $96,265 |
| Measured | $930,887 | $2,500 | $37,500 | $7,000 | $2,500 | $7,000 |
| Total | $3,653,045 | $925,408 | $522,217 | $1,661,575 | $1,281,262 | $1,644,740 |

| | **North Galilee** | **North Galilee** | **British Columbia** | **British Columbia** | **British Columbia** | |
|---|---|---|---|---|---|---|
| | EPC1857 - Lake Powlathanga | EPC1969-Trafalger | Mt Spieker North | Mt Spieker South | Adams | Totals |
| Exploration Target | $390,656 | $170,605 | $3,500 | $88,436 | $212,493 | $4,113,962 |
| Inferred | $773,614 | $598,180 | $159,562 | $320,576 | $617,061 | $6,915,777 |
| Indicated | $526,752 | $7,000 | $252,629 | $466,826 | $693,111 | $2,952,122 |
| Measured | $7,000 | $7,000 | $3,500 | $10,000 | $15,000 | $1,029,887 |
| Total | $1,698,022 | $782,785 | $419,191 | $885,838 | $1,537,665 | $15,011,748 |

The estimates shown in the tables above are indicative only, and may vary according to changes in circumstances which the Company may encounter during the period following the Offer.

The Directors believe that the Company, following the Offer and the Acquisition, will have enough working capital to carry out its stated objectives.

Applicants should beware that the Company may use and expend its cash reserves more quickly than contemplated. Work programs and budgets are dependent on results and may change.

Further, the timing of the implementation of the work program is dependent on weather conditions and availability of equipment. Therefore, the Company's actual allocation and use of funds may change. Please refer to other risks as set out in section 13.

# 7. Independent Geologist's Report

**Ray Slater & Associates Pty Ltd**
GEOLOGICAL CONSULTING SERVICES
ABN 51 117 925 907

11 / 9 PRINCETON STREET
PO BOX 311
KENMORE QLD 4069
PH: (07) 3000 1621
MOB: 0427 856 200

13 September 2011

The Directors
Strategic Pooled Development Ltd
Level 1
139 Collins Street
Melbourne VIC 3000

Dear Sirs,

**Independent Geologist Report – Resolve Geo Pty Ltd Queensland and Canadian Coal Properties**

Ray Slater & Associates Pty Ltd (**RSA**) was commissioned by Strategic Pooled Development Limited (**Company**) to prepare an Independent Geologist Report covering a portfolio of 12 coal property assets located in the Bowen, Galilee and Eromanga sedimentary basins of Queensland Australia (8 license areas), and in the Peace River coalfield of northeast British Columbia, Canada (4 license areas).

The various areas are all exploration tenements – some are granted; some remain currently as 'applications' - and are held 100% by Resolve Geo Pty Ltd (**Resolve**) or wholly-owned subsidiaries of Resolve.

The Company is planning a capital raising through the issue of shares under a prospectus and this report is to be included in the prospectus to be lodged with the Australian Securities and Investments Commission for that purpose.

The Company intends to use the funds raised to explore the coal properties, and – if successful – to define commercially viable reserves for future development and mining.

**DECLARATIONS**

**Relevant Codes and Guidelines**

This report has been prepared in accordance with the rules and guidelines issued by such bodies as ASIC and the ASX as they pertain to independent technical and geological reports. Where coal resources are referred to in this report, the wording and classifications used are consistent with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) prepared by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, and the Minerals Council of Australia.

Under the definition provided by the ASX and in the JORC Code, the tenements and application areas which are the subject of this report are classified as 'exploration projects' and are inherently speculative. The areas are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration proposed by the Company.

**Ray Slater & Associates Pty Ltd**
GEOLOGICAL CONSULTING SERVICES
ABN 51 117 925 907

11 / 9 PRINCETON STREET
PO BOX 311
KENMORE QLD 4069
PH: (07) 3000 1621
MOB: 0427 856 200

**Sources of Information**

In preparing this report, RSA has relied on a variety of data predominantly supplied by the Company. This information consisted of geological maps and reports, borehole data, coal physical and chemical analysis data, aerial imagery, regional geophysical and seismic data, interpreted technical studies and other technical and internal and external reports. These were compiled and written by various industry bodies, government agencies, research organisations, consultants, previous tenement explorers, and include a variety of published and unpublished data.

RSA has endeavoured to confirm the authenticity, accuracy and completeness of all the data upon which this report is based, and information received from the Company is considered to be reliable and complete and there is no reason to believe that any material data has been withheld.

However, no warranty can be given that this review has analysed all of the matters which a more extensive examination might reveal.

The opinions and statements in this report are made in good faith and in the belief that such opinions and statements are not misleading.

**Declaration**

RSA has not had and, at the date of this report, does not have any relationship with the Company or Resolve or any related or subsidiary companies that could be regarded as capable of affecting RSA's ability to provide an unbiased opinion in relation to this report. A fee will be received for the preparation of this report but is not contingent on the outcome or content of the report.

RSA will receive no other benefit for the preparation of this report.

RSA has no pecuniary or other interest which could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the coal project assets to be acquired by the Company.

Advance copies of this report were provided to the directors of the Company and minor changes were made as a consequence. There have been no material changes made to the report.

**Consent**

For the purpose of section 716 of *the Corporations Act 2001*, Ray Slater & Associates Pty Ltd consents to being named as independent geologist in the prospectus (including for the purposes of this consent the electronic form of the prospectus) and for the inclusion of this report in the prospectus, in the form and context in which it is named.

Ray Slater & Associates Pty Ltd has not authorised or caused the issue of the prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any other part of the prospectus.

Ray Slater & Associates Pty Ltd has not withdrawn this consent prior to lodgement of the prospectus with the Australian Securities & Investments Commission.

**Ray Slater & Associates Pty Ltd**
GEOLOGICAL CONSULTING SERVICES
ABN 51 117 925 907

11 / 9 PRINCETON STREET
PO BOX 311
KENMORE QLD 4069
PH: (07) 3000 1621
MOB: 0427 856 200

**Qualifications of the Author**

This report was authored by Mr Ray Slater, Principal of Ray Slater & Associates Pty Ltd.

Mr Slater is an experienced geologist, with a BSc (Hons, Geology) from the Australian National University, and a Graduate Diploma (Geoscience) from Macquarie University. He has over 30 years professional experience predominantly in the coal industry including exploration and mining, and has undertaken all facets of coal geological work including field geological mapping, reconnaissance and detailed drilling, surface and underground mine geology and mine development drilling, target generation, project evaluation and assessment, resources and reserves evaluation and modelling, portfolio valuations and turn-key project management for greenfields coal exploration.

Mr Slater has worked extensively throughout most Queensland coal basins, and has overseas experience in New Zealand, Malaysia and Indonesia.

Mr Slater is a Member of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists and has appropriate and relevant qualifications, experience, competence and independence to be considered as an "expert" and "competent person" as defined in the Australian Valmin Code and JORC Codes respectively, and a "qualified person" as defined in the National Instrument 43-101 of Canada.

Yours faithfully,

Ray Slater
BSc (Hons), Grad Dip (Geoscience), MAusIMM, FAIG

# INDEPENDENT GEOLOGIST REPORT

# 'RESOLVE GEO' QUEENSLAND AND CANADIAN COAL LICENSE AREAS

**RAY SLATER & ASSOCIATES PTY LTD**

GEOLOGICAL CONSULTING SERVICES

Prepared for:

**Strategic Pooled Development Ltd**

September 2011

## Table of Contents

## List of Figures

## List of Tables

# 1 Summary

Resolve (Resolve Geo Pty Ltd; Resolve Coal Pty Ltd) holds a 100% interest in twelve (12) coal exploration license areas in Queensland (Australia), and British Columbia (Canada).

The Queensland license areas are located in the Bowen, Galilee, and Eromanga Basins of central Queensland (Figure 1.1); the Canadian areas are located in the Peace River coalfield of the Western Canadian Basin in northeast British Columbia (Figure 1.2).

The Bowen Basin is Queensland and Australia's premier coal producing basin producing thermal, PCI, semi-soft and hard coking coal for export; the Peace River coalfield is also a mature and established producer of high quality export coking coal.

The Galilee Basin is an emerging major coal province, with as yet unknown but very large resources of intermediate quality, low sulphur bituminous thermal coal, with a number of major new projects at varying stages of exploration and development.

The Eromanga Basin is relatively remote and unexplored, but thought to contain potentially large resources of low rank, low energy sub-bituminous thermal coal at shallow depth and potentially amenable to future mining.

By definition, the Resolve tenements which are the subject of this report are classified as 'exploration projects' with varying degree of risk and uncertainty, but with further exploration all the areas have potential to contain significant – and in some case very large – in situ coal resources.

In Queensland, the Pigeonhole Creek (EPC 1663), Row Creek (EPCA 2050) and Bully Creek (EPC 1754) tenements are located proximal to each other on the northeast margin of the Galilee Basin, where very large resources are known from adjoining areas. Cumulatively, these three areas cover 274.7km$^2$, with potential to contain vast resources of thermal coal at depths that should be mineable by conventional surface mining methods.

The Lake Powlathanga (EPC 1857) and Trafalgar (EPC 1969) prospects adjoin each other, and are located in an outlying sub-basin containing rock units of the same age and characteristics as those present in the Galilee Basin to the west. Previous drilling reported thick coal occurring at shallow depth, and these two areas also have potential for significant resources of shallow, thermal coal.

The Sherwood Park (EPC 1673) prospect covers just over 900km$^2$ in the Eromanga Basin of south-central Queensland where the coal-bearing Winton Formation either outcrops or occurs at shallow depth. Near-by drill hole intersections have recorded significant shallow coal intersections, and the area is considered to have high potential for the occurrence of very large resources of low rank, sub-bituminous coal.

In central Queensland, the Jeffries Creek (EPC 1954) and Gindie (EPCA 2618) areas lie proximal to each other on the southwest flank of the commercially important Bowen Basin, and adjoin and partially overlap the defined Cullin-la-ringo coal resource area which was outlined by exploration conducted by the Queensland Government in the 1980's. The results of the government drilling in and around the Jeffries Creek area provides a high level of confidence that very large resources of high quality thermal coal will be present underlying EPC 1954, estimated to be in the range of 0.5-1Bt and includes the

possibility of higher rank coal occurring at depth, potentially suited to PCI use or as a semi-soft coking coal.

In the Peace River coalfield of British Columbia (Canada), the Mt Spieker (CLA 417876 and CLA 417 875) and Adams (CLA 417873 and CLA 417874) prospects together cover 34.98km$^2$ where the prospective and coal-bearing Gates and Gething Formations outcrop. Both formations host multiple coal seams of premium quality metallurgical coal which are being mined and developed in neighbouring projects and throughout the Peace River Coalfield. The areas are both highly prospective, and only modest exploration is required to confirm the likely presence of premium quality coking coal.

In aggregate, the portfolio of Resolve exploration projects in Queensland and Canada are considered to be highly prospective for large resources of a variety of coals, varying from low quality and low rank thermal coals possibly suited to coal conversion technologies, to intermediate and high quality thermal, PCI coal, semi-soft coking, and – in Canada – premium quality coking coals.

Each of the areas is discussed further below.

Figure 1.1: Location, Queensland coal tenements

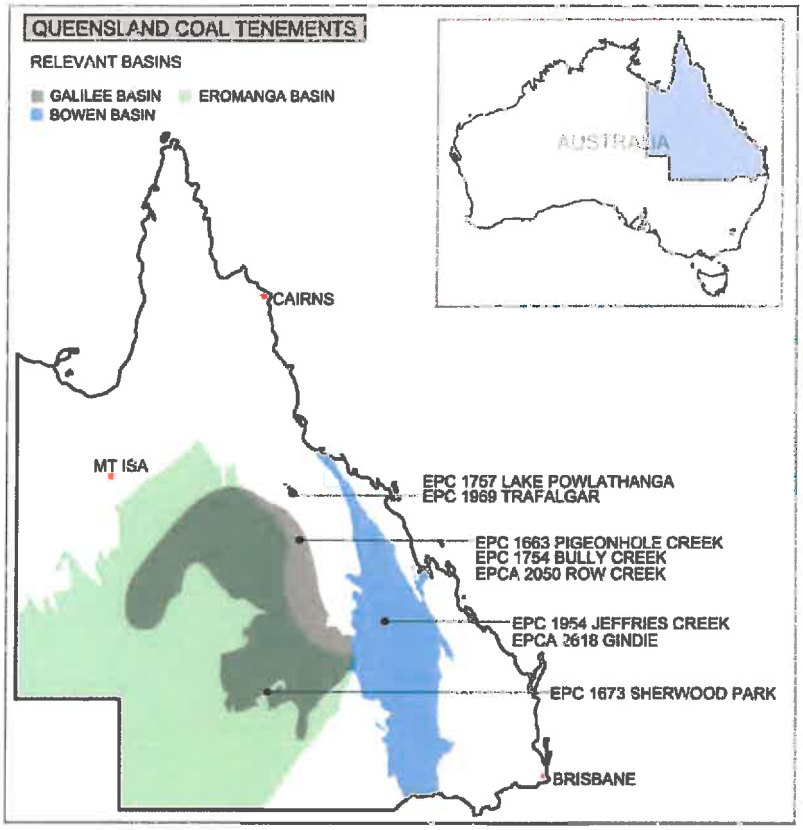
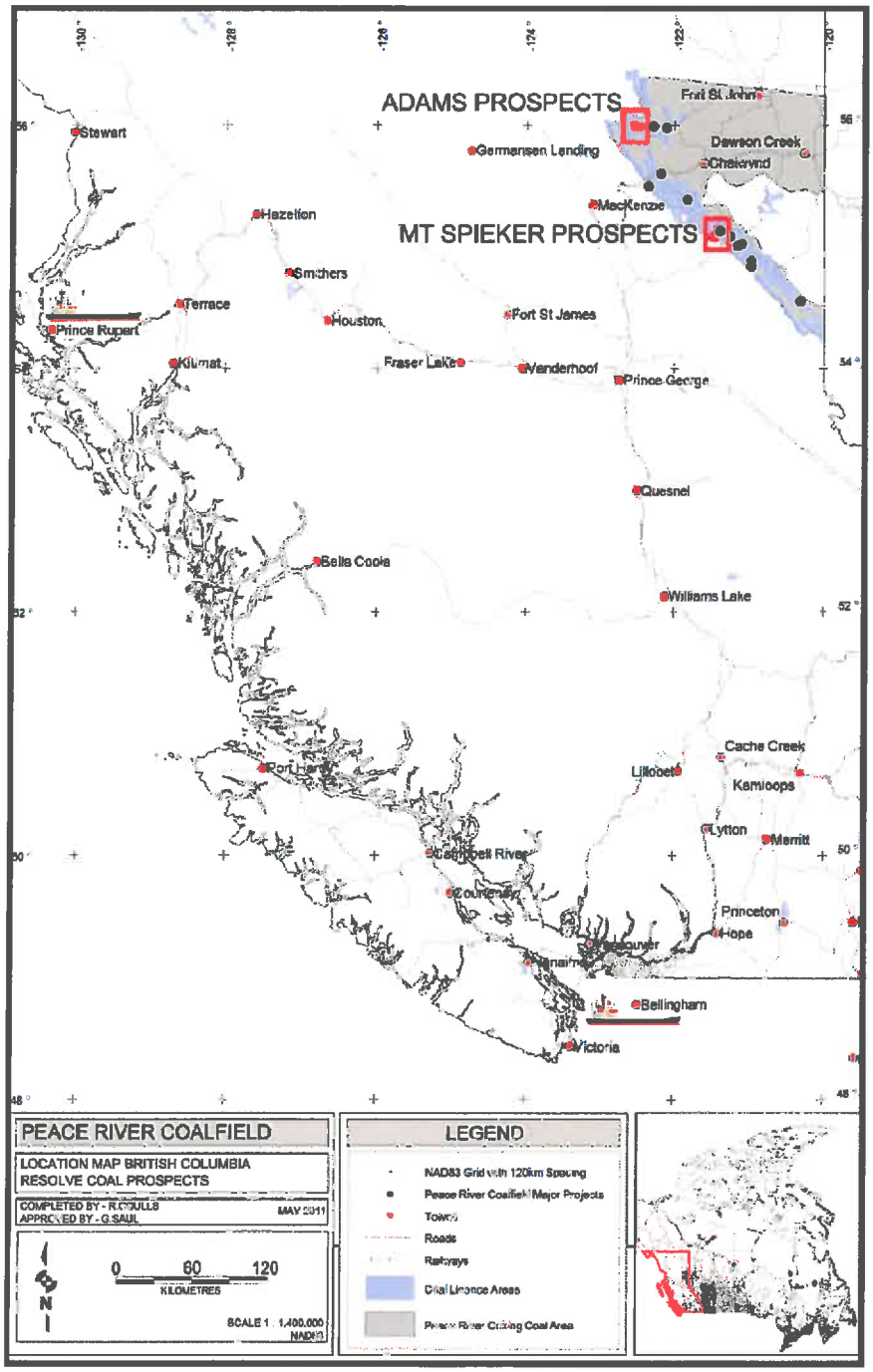


Figure 1.2: Location, Canadian coal tenements



## 2 List of Abbreviations

| | |
|---|---|
| % | Percent |
| $^{0}$C | Degrees Centigrade |
| 2D | Seismic line, 2-dimensional |
| 3D | Seismic survey, 3-dimensional |
| AFT | Coal Ash Fusion Temperature (coal analysis) |
| A to P | Authority to Prospect |
| ASIC | Australian Securities and Investment Commission |
| ASTM | American Society for Testing and Materials |
| ASX | Australian Stock Exchange |
| bcm | Bank cubic metres |
| BC | British Columbia |
| BMR | Bureau of Mineral Resources (now Geoscience Australia) |
| Bt | Billion metric tonnes |
| ca. | Approximate / approximately |
| CLA | Coal License Application |
| CR# | Company report number |
| CSG | Coal seam gas |
| CSN | Crucible Swelling Number (coal analysis) |
| DDH | Diamond drill hole |
| DEEDI | Department of Employment, Economic Development and Innovation, Queensland |
| DERM | Department of Environment and Resource Management, Queensland |
| DME | Department of Mines and Energy, Queensland |
| DNRM | Department of Natural Resources and Mines (Queensland; now DEEDI) |
| EPCA | Exploration Permit for Coal – Application area (not yet granted) |
| EPC | Exploration Permit for Coal |
| EPM | Exploration Permit for Minerals |

| | |
|---|---|
| FC% | Fixed carbon content (coal analysis) |
| Flow | Flow (temperature at which coal ash melts and begins to flow; ref 'AFT') |
| FSI | Free Swelling Index (ref 'CSN'; a coal analysis parameter to indicate coking potential) |
| GSQ | Geological Survey of Queensland |
| Hemi | Hemisphere (temperature at which coal ash melts to a hemispherical shape; ref 'AFT') |
| ID | Initial deformation temperature (coal analysis – refer 'AFT') |
| JORC | Joint Ore Reserve Committee |
| Kcal | Kilocalories (a measure of coal energy content) |
| Kg | Kilogram |
| Km | Kilometres |
| $Km^2$ | Square kilometres (1000m * 1000m) |
| m | Metres |
| mm | Millimetres |
| MIM | Mount Isa Mines (now Xstrata) |
| Mj | Mega joules (a measure of coal energy content) |
| Mt | Million metric tonnes |
| NSW | New South Wales (Australia) |
| QDEX | Queensland Digital Exploration Reporting (DME reporting portal) |
| RA | Restricted Area |
| Resolve | Resolve Geo Pty Ltd / Resolve Coal Pty Ltd |
| $R_o$ max | Mean maximum reflectance (of coal; a measure of coal maturity) |
| ROM | Run-of-mine |
| SE | Specific Energy content (coal analysis) |
| SG | Specific gravity (=density) |
| TM | Total moisture content (coal analysis) |
| TS | Total Sulphur content (coal analysis) |
| VM | Volatile Matter content (Vol.M%; coal analysis) |
| Yld% | Percentage yield (product coal:raw coal) |

# 3 EPC 1663 Pigeonhole Creek

## 3.1 Introduction

EPC 1663 Pigeonhole Creek was granted to Resolve on 26 November 2010 over an area of 12 sub-blocks (approximately 38.3km$^2$) for an initial term of 5 years (Table 3.1).

Table 3.1: Tenure, EPC 1663 Pigeonhole Creek

| Tenure Type | Tenure Number | Status | Date Granted | Date Expires | Principal Holder | Number of Sub-blocks |
|---|---|---|---|---|---|---|
| EPC | 1663 | GRANTED | 26-NOV-2010 | 25-NOV-2015 | RESOLVE GEO PTY LTD | 12 |

The tenement is located close to the northeast margin of the Galilee Basin, in central Queensland (Figure 3.1). The closest major townships are Hughenden and Pentland on the Flinders Highway 130km to the north.

The area is well located to take advantage of proposed major regional infrastructure development planned by other major mining companies, including a wide gauge, high capacity rail link to the bulk coal handling port of Abbot Point.

## 3.2 Topography and Land Use

The general topography is a mixture of incised plateau and range country with an average topographic height of ca. 400m. Rainfall in the region averages about 406mm per year usually concentrated in the summer 'wet season' between November-February.

The land is utilised solely for cattle grazing.

No endangered regional ecosystems or other environmentally sensitive areas exist within the area.

## 3.3 Structure and Stratigraphy

The Galilee Basin formed during the late Carboniferous and is an extensive inland sedimentary basin located in central Queensland encompassing over 247,000km$^2$.

The formations comprising the Galilee Basin sequence are mostly concealed by younger sediments of the Eromanga Basin, but parts of the stratigraphic sequence outcrop along the east and northeast basin margin to the north and south of EPC 1663.

Between the Late Carboniferous and Early Triassic periods, deposition within the Galilee Basin was largely of fluvial origin, and included the Middle to Late Permian-age Betts Creek Beds.

The Pigeonhole Creek tenement targets the Betts Creek Beds, which are correlative to the Bandanna Formation further south and the Rangal Coal Measures to the east within the Bowen Basin.

Regional basin stratigraphy is shown in Table 3.2.

Table 3.2: Regional basin stratigraphy

| | Age | Gp | Unit | Thick (m) | Lithologies |
|---|---|---|---|---|---|
| Galilee Basin | Tertiary | | Undifferentiated | <90 | Mostly clays and mudstones, with minor sands and gravels |
| | Mid Triassic | | Warang Sandstone | 200 | Kaolinitic quartzose sandstone |
| | Late Perm - Early Triassic | | Rewan Formation | <300 | Sandstone, mudstone, siltstone, calcareous sandstone |
| | Early Triassic | | Dunda Beds | <250 | Lithic-quartz sandstone, siltstone, mudstone |
| | Mid Permian | | Betts Creek Beds | 60 | Felspathic Sst, conglomerate & thick, banded **coal** seams |
| | | | Colinlea Sandstone | 90-200 | Sandstone, siltstone, mudstone & minor coal |
| | Late Carboniferous - Early Permian | Joe Joe Group | Jochmus Fm | 130-755 | Sandstone, siltstone, mudstone, conglomerate and tuff |
| | | | Jericho Fm | 80-760 | Mudstone, siltstone, sandstone |
| | | | Lake Galilee Sst | 85-260 | Silicified sandstone, minor mudstone |
| | | | Boonderoo Beds | <220 | Mudstone, siltstone, sandstone, limestone & conglomerate |

The older, underlying Aramac Coal Measures are not present along the eastern side of the Galilee Basin.

The region was first mapped at a scale of 1:250,000 in 1964 by the Bureau of Mineral Resources, Geology and Geophysics in conjunction with the Geological Survey of Queensland. It was this geological mapping that led to the exploratory coal drilling by the Department of Mines and Energy in the 1970's the results of which broadly revealed the coal resource potential of the basin.

## 3.4 Coal Geology and Previous Exploration

The earliest documented occurrences of coal in the Galilee Basin date from around 1900, when coal outcrops were noted at Porcupine Creek northwest of Pentland.

In the 1970's, the Geological Survey of Queensland began a program of regional scout drilling along the eastern margin of the Galilee Basin, extending from just north of Alpha (in the south), to near Pentland (in the north) to investigate and define the coal resources of the Bandanna Formation/Betts Creek Beds interval.

Drilling traverses were spaced at about 40km intervals, and a number of holes were drilled on each traverse, perpendicular to strike.

Results of this drilling were published in a series of GSQ records (Carr, 1976, 1977 and others) which demonstrated that the main coal seam intervals within the Betts Creek Beds were more or less continuous and could be grossly correlated over a strike length exceeding 300km.

Two of these drilling traverses – at Mirtna, and View Hill – are located to the north and south of EPC 1663, and it was largely from these drilling results that Resolve recognised the potential for the Pigeonhole Creek area.

### 3.4.1 View Hill Area

Five exploratory cored boreholes were drilled by the Queensland Geological Survey in the View Hill area, located 5km south of EPC 1663 (Figure 3.2). The boreholes N.S.25, N.S.26, N.S.27, N.S.28 and N.S.29 are positioned approximately perpendicular to strike and provide a good indication of true dip, although only the westernmost 2 holes, NS 28 and 29 intersected the entire Betts Creek Beds coal seam stratigraphic interval.

The holes display a relatively thick upper weathered layer of Tertiary-age clays, silts and sandstones extending as deep as 60-80m, below which lies an interval of Triassic Rewan Formation, and/or directly, the Betts Creek Beds. Where present, the Rewan Formation consists of grey sandstones and greyish-green silty mudstones.

The target Betts Creek Beds are comprised predominantly of light-coloured fine grey sandstones, and may include as much as 32% coal seam thickness by volume.

Across most of the explored eastern margin of the Galilee Basin, up to 6 main coal seam intervals are recognised occurring in 2 or 3 coal-dominated intervals. Individual seam intervals can be thick, and complexly inter-banded with non-coal material (mostly mudstones and clays).

The coal seams are named A to F, in descending stratigraphic order, and are inclined gently to the west at gradients of about 1:30 ($2^0$ or less; Figure 3.3).

Seams A and B – Frequently occur together as a composite A-B seam, and at View Hill was intersected in NS 28 where the geological seam thickness was 26.6m, and in NS 29 where the seam was 23.78m in thickness. The AB seam can be divided into 3 intervals; an upper section of 6-7m of potentially workable coal, a relatively inferior middle section of around 5m, and a lower section of around 12m of which the upper 9m (approximately) is potentially workable.

Seam C – Underlies the upper A and B seams by only about 10m, is approximately 11m thick, but composed predominantly of carbonaceous mudstone and only minor inferior, dull coal bands, few if any of which are likely to be mineable.

Seam D – Occurs in 2 discrete plies 10-20m below the C seam, with an average seam thickness of 6-7m. The upper ply is of mineable quality and varies between 2.8m to 4m in thickness, while the lower part of the seam contains only about 1m of workable coal, and separated from the upper ply by a mudstone parting of 0.5-1m in thickness.

Seam E – Also divided into 2 parts with an average separation of 8.6m. The upper section has an average thickness of 1.71m of which about 1.4m is of mineable quality. The lower section is about 1.2m to 1.5m thick and composed mostly of reasonable quality coal.

Seam F – Only intersected in N.S.26 and N.S.29, and locally appears to be absent and removed by erosion. Occurs roughly 13m below the E seam and has an average thickness of 3.5m to 4.5m of workable quality coal.

The aggregate geological seam thickness in the View Hill area can be as much as 55m with a cumulative coal-only thickness (excluding stone partings) up to 39m but there is insufficient information available to determine how much of this total coal thickness could be economically extracted.

Based on just the GSQ drilling and analysis results it appears 20-25m of the cumulative coal section could be commercially mineable at acceptable product quality and wash plant yields.

Throughout the eastern Galilee Basin, the coal plies within the seams of the Betts Creek Beds display roughly similar quality characteristics, being uniformly and mostly dull coal, with a moderate-high raw ash content, but capable of beneficiation to produce a marketable thermal coal product at acceptable product yield figures.

The GSQ sent selected samples from View Hill to the Australian Coal Industry Research Laboratories in Ipswich for testing, where the samples were float-sink tested at a specific gravity (S.G) of 1.9 and most of the testing conducted on the 1.9 float fraction.

Coal quality is discussed below, and selected data for View Hill and Mirtna is summarised in Tables 3.3 and 3.4.

### 3.4.2 Mirtna Area

Three holes, NS 22, NS 23 and NS 24 were drilled in the Mirtna area approximately 19km to the north of the Pigeonhole Creek tenement (Figure 3.2). The same 6 seam intervals (A-F) were broadly recognised although individual seam characteristics vary quite markedly.

The Mirtna area lies to the south of a major regional fold structure called the Mingobar Monocline, and the coal seams dip somewhat more steeply west here, at gradients of around 1:7, or about 8-9$^0$.

Superficial Tertiary sediments consisting of variable coloured sands and silts are thinner, and the weathering profile was much less than at View Hill, averaging about 25m.

The Triassic Warang Sandstone overlies the coal measures in NS 22 and 24, and is a light-coloured quartzose sandstone with a high percentage of kaolin clay matrix.

The target Betts Creek Beds attain a full thickness of about 162m and contain the same 6 coal seams (A - F in descending order) recognised at View Hill and elsewhere along the eastern basin margin.

A diagrammatic cross-section is shown in Figure 3.4.

Seams A and B – deteriorated at this location, and represented by just a thin carbonaceous mudstone interval.

Seam C - split into 2, with an upper ply averaging around 9m thickness, and a lower ply of 3.7m separated by 4m of sandstone interburden.

Seam D - attains a thickness of 7.08m in NS 23 and 8.82m in NS 24. Hole NS 22 (down dip) was terminated before reaching the D seam.

Seam E - is 3.67m in NS 23 and 4.09m in NS 24, with thin beds of carbonaceous mudstone in the floor and roof.

Seam F - lies ca. 8m below seam E and is recorded as 7.18m thick in NS 24, but only 3.81m in NS 23.

Based on these GSQ holes, the aggregate thickness of potentially workable coal in the Mirtna area is around 20m. Other drilling in the Mirtna area dating from the 1970's completed by Oilmin NL confirms the presence of quite thick coal, although their report and drill logs (CR.4691) are inadequate to accurately determine seam thicknesses or allow confident seam correlations with the GSQ holes (Figure 3.5).

Within EPC 1141 to the north of Mirtna, Oilmin report # CR8171 records hole G49 as intersecting 52' of coal starting from 92', and another 9' of coal at 151' (a total of 18.6m of coal between 28.04m and 48.77m depth).

The same coal seams in the Pentland area achieve similar aggregate thicknesses, typically between 20-30m.

Since the GSQ drilling in the 1970's, there has been very little coal exploration attention paid to the majority of the Galilee Basin until quite recently, and no known previous activity within the actual area of EPC 1663.

Resolve has not yet commenced exploration of EPC 1663, but the area potentially contains very large volumes of coal which should be present at depths amenable to mining by conventional strip or open cut mining methods.

## 3.5 Coal Quality

The coal seams of the Betts Creek Beds are entirely thermal, and without any known or reported coking properties.

Compared to typical Bowen Basin or Hunter Valley (NSW) export thermal coal, these Galilee Basin coals are somewhat inferior, being lower in rank, and with mostly higher raw ash and moisture contents, and correspondingly lower energy content.

On an ASTM classification, raw coal quality falls mostly in the Sub-bituminous A category; the better quality seams and individual plies with lower ash and correspondingly higher fixed carbon and energy content may fall within the High Volatile Bituminous C or B categories (ASTM).

From laboratory-derived analysis results, beneficiated product coal is expected to fall within the High Volatile Bituminous C or B category.

There is no commercial production of coal from the Galilee Basin with which to compare actual product coal quality, so comparisons can be made based purely on laboratory analysis results for simulated products, and hypothetical 'working section' intervals.

Coal sample analysis by the GSQ from their 1970's Mirtna and View Hill drilling typically sampled and analysed selected coal plies exclusive of stone bands, and as such is not representative of the complete coal seam or necessarily what might constitute a future mining horizon. The complex nature of many of the seams means selective mining of all coal and non-coal intervals would be neither practical nor viable, and large-scale bulk mining of "workable sections" that include both coal and non-coal in a single operation is more likely.

Future run-of-mine or product coal quality cannot be assumed to match the laboratory-derived figures reported for just the sampled coal plies, data for which is summarised in Table 3.3 (Mirtna) and Table 3.4 (View Hill).

Table 3.3 shows calculated composite quality derived from multiple ply samples over possible working sections from multiple holes, but displays a high degree of consistency for most of the coal quality characteristics determined.

Table 3.3: Mirtna area coal quality summary (F1.9 fraction, air-dried basis)

| Seam | Thick(m) | Raw Coal (adb) | | Washed (Floats 1.9 fraction, air-dried basis) | | | | | | AFT's (°C) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | S.G. | Ash% | Yld% | TM | A | VM | TS | SE Mj/kg | ID | Hemi | Flow |
| C | 3.73 | | | 79.2 | 9.3 | 20.5 | 29.2 | 0.3 | | 1501 | 1591 | 1600 |
| C | 1.12 | | | 90.9 | 12.2 | 17.5 | 30.6 | 0.37 | 21.11 | 1510 | 1600 | 1600 |
| C | 3.66 | 1.56 | 26.8 | 83.8 | 9.0 | 17.9 | 29.2 | 0.31 | 22.43 | 1519 | 1600 | 1600 |
| C Lower | 1.66 | | | 79.1 | 9.6 | 21.9 | 26.1 | 0.3 | 20.63 | 1520 | 1600 | 1600 |
| C Lower | 1.48 | 1.66 | 27.3 | 83.3 | 8.5 | 20.5 | 26.4 | 0.29 | 21.43 | 1500 | 1570 | 1590 |
| D | 5.61 | | | 95.1 | 10.6 | 9.8 | 28.5 | 0.2 | 23.89 | 1588 | 1600 | 1600 |
| D | 6.99 | 1.47 | 15.2 | 90.9 | 8.50 | 9.8 | 28.5 | 0.24 | 25.19 | 1597 | 1600 | 1600 |
| E | 3.51 | | | 94.9 | 11.2 | 8.6 | 28.8 | 0.2 | 24.17 | 1600 | 1600 | 1600 |
| E | 3.81 | 1.41 | 12.4 | 94.4 | 9.27 | 9.3 | 28.2 | 0.20 | 24.99 | 1600 | 1600 | 1600 |

| Seam | Thick(m) | Raw Coal (adb) | | Washed (Floats 1.9 fraction, air-dried basis) | | | | | | AFT's (°C) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | S.G. | Ash% | Yld% | TM | A | VM | TS | SE Mj/kg | ID | Hemi | Flow |
| F | 2.63 | | | 79.4 | 11.1 | 13.1 | 26.6 | 0.2 | 21.6 | 1600 | 1600 | 1600 |
| F | 3.97 | 1.6 | 23.6 | 81.0 | 8.67 | 15.0 | 24.2 | 0.14 | 23.73 | 1600 | 1600 | 1600 |

Source: Carr, GSQ Record 1977/11 (figures in black = actual; figures in red = calculated composites)

The C seam is relatively inferior, with more stone banding, and a higher inherent raw ash content. Washing at a separation density of SG 1.9 may reduce the ash content to around 18-20% at indicated yields of 80-90%. A lower cut-point would produce a higher quality product at lower ash and higher energy content, but at the sacrifice of yield.

Although generally thinner, the D and E seams are significantly better quality coal, cleaner and with a lower raw ash content, and capable of producing a product coal of <10% ash and with a calorific value of between 24-25 Mj/kg on an air dried basis (5750-5970 kcal).

Sulphur content of all the seams is uniformly low at around 0.2-0.3%, and ash fusion temperatures are high.

Table 3.4: View Hill (NS 28) coal quality summary (F1.9 fraction, air-dried basis)

| Seam | Thick(m) | Raw Coal | | Washed (Floats 1.9 fraction) | | | | | | AFT's | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | S.G. | Ash% | Yld% | TM | Ash | VM | TS | SE Mj/kg | ID | Hemi | Flow |
| AB | 1.28 | 1.54 | 32.7 | 78.1 | 9.3 | 20.3 | 26.8 | 0.18 | | 1430 | 1550 | 1570 |
| AB | 2.6 | 1.55 | 24.7 | 89.4 | 9.8 | 19.1 | 27.2 | 0.19 | | 1310 | 1530 | 1560 |
| AB | 1.9 | 1.49 | 14.8 | 97.4 | 9.3 | 13.3 | 30.2 | 0.24 | 22.32 | 1440 | 1530 | 1550 |
| AB | 0.89 | 1.51 | 25.6 | 85.6 | 9.7 | 17 | 29.4 | 0.19 | | 1440 | 1540 | 1560 |
| composite | 6.67 | | 23.6 | 88.9 | 9.6 | 17.4 | 28.2 | 0.20 | 22.32 | 1387 | 1535 | 1559 |
| AB | 2.07 | 1.52 | 22.4 | 93.5 | 11.5 | 18.9 | 28.5 | 0.25 | 21.48 | 1450 | 1560 | 1580 |
| C | 1.35 | 1.64 | 29.1 | 90.1 | 8.7 | 24.8 | 23.4 | 0.2 | | 1490 | 1590 | 1600 |
| C | 1.03 | 1.61 | 47.7 | 57.7 | 8.6 | 26.5 | 23.8 | 0.13 | | 1490 | 1590 | 1600 |
| C | 1.46 | 1.6 | 34.0 | 84.8 | 9.1 | 26.4 | 25.7 | 0.17 | | 1500 | 1600 | 1600 |
| C | 1.49 | 1.53 | 26.9 | 94.4 | 10.7 | 24.2 | 28.1 | 0.18 | 20.1 | 1500 | 1600 | 1600 |
| C | 1.74 | 1.63 | 47.9 | 60.4 | 9.3 | 30.0 | 24.7 | 0.2 | | 1570 | 1600 | 1600 |
| C | 2.5 | 1.51 | 23.3 | 90.8 | 10.3 | 18.2 | 28.9 | 0.17 | | 1470 | 1580 | 1600 |
| composite | 9.57 | | 33.6 | 81.0 | 9.6 | 24.5 | 26.1 | 0.17 | 20.1 | 1503 | 1592 | 1600 |

Source: Carr, GSQ Record 1976/4 (figures in black = actual; figures in red = calculated composites)

The combined AB seam at View Hill to the south of EPC 1663 has an upper potentially mineable section of 6.67m at a raw coal ash content of 23.6%, which if washed at a separation density of SG 1.9 could be reduced to 17-18% for a yield loss of around 10-11%.

The C seam displays up to 9.57m of coal that might be mineable, but is markedly higher in ash content, and washing to produce an acceptable product coal will likely result in a yield of only 60-70%.

Sulphur content of both seams is low and similar to that at Mirtna; ash fusion temperatures are somewhat lower, but still moderately high.

Although low rank and low in energy content, there is enough accumulated coal quality data for the coal seams of the Betts Creek Beds to state that the coal is potentially suitable as a thermal coal either for domestic use or for export, and does have some favourable attributes in having relatively low sulphur content, and high ash fusion temperatures, both are which are important and beneficial characteristics for energy coal.

## 3.6 In-Situ Coal Resource Potential

The potential for coal along the eastern margin of the Galilee Basin was made evident by the GSQ drilling in the 1970's but for 30 years the basin was mostly ignored by explorers, due to its location, distance from the coast, lack of supporting infrastructure, and ready availability of coal from more 'traditional' areas (Bowen and Surat Basins).

Hancock Prospecting persevered with early exploration to outline the Alpha and Kevin's Corner coal deposits located about 170km south of EPC 1663 which are reported to contain at least 1 billion tonnes (Bt) of coal, in-situ.

Together with the Pentland deposit 130km to the north (600 million tonnes), these were – until very recently – the only defined coal resources within the basin.

A few other companies (Shell Development, Rio Tinto, MIM) conducted significant exploration also in the 1970's and intermittently thereafter, but insufficient to accurately quantify additional resources.

The last 5 years has seen renewed interest in the eastern Galilee Basin, with a massive increase in exploration effort and commitment. Very large resources of coal have been reported by Waratah Coal in areas adjoining Hancock's leases, and by Adani Mining at their Carmichael project.

Located about 30km to the south of EPC 1663, the Carmichael project which is now subject to a Mining Lease application reportedly contains as much as 7-8Bt of coal within an area of 82 sub-blocks, which equates roughly to an average cumulative coal thickness of 21-22m, or about 30 million tonnes per square kilometre.

AMCI/Bandanna, Vale Coal Exploration and Xstrata are also believed to have outlined large-very large resources in their respective tenement holdings to the north and south of EPC 1663.

While direct comparisons cannot be made with these areas, and although individual seams can vary considerably and display marked thinning and thickening sometimes over only short distances, there is enough evidence for overall coal seam continuity across broad areas to be confident that substantial coal probably underlies the whole of the eastern margin of the basin.

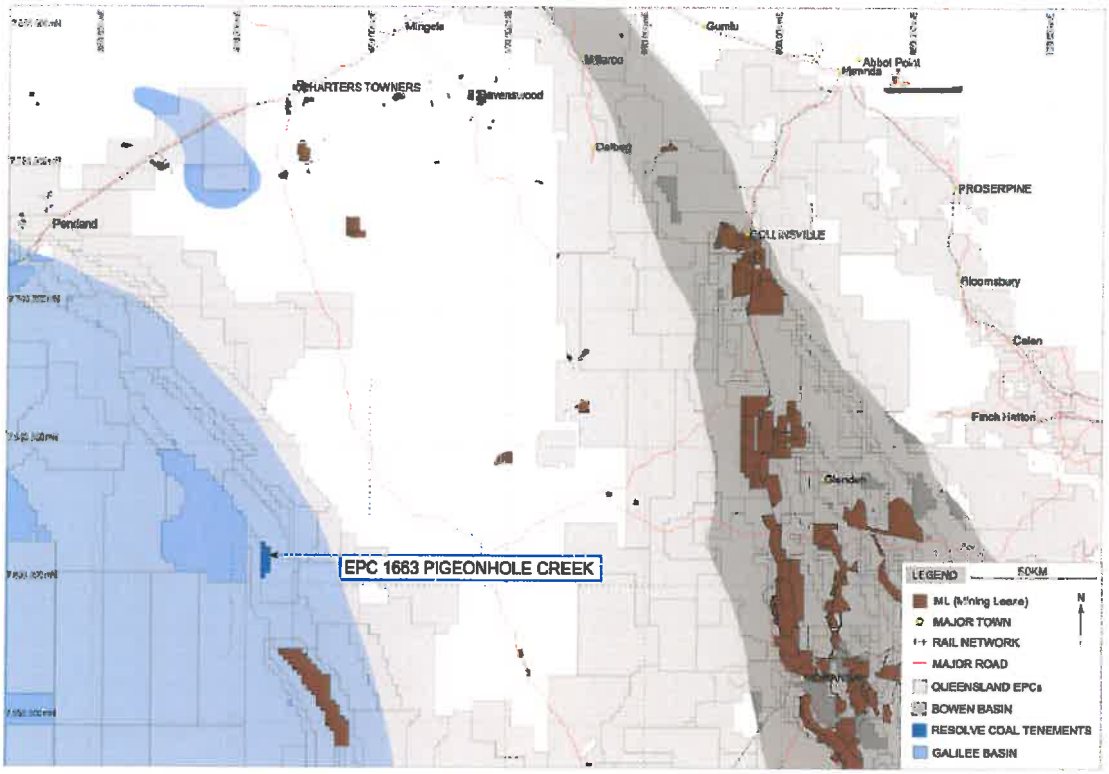
The 'line of strike' of sub-crop of the coal measures almost certainly passes through EPC 1663, but without additional in-fill drilling, it is not possible to predict with any accuracy the precise line of sub-

crop. From regional geological and seismic modelling and knowledge of areas north and south it is considered likely that most or all of EPC 1663 will be underlain at relatively shallow depth by the same stratigraphic interval and coal seams as represented at View Hill and Mirtna.

Excluding non-coal partings, the cumulative thickness of coal at Mirtna and View Hill varies between 20m to almost 40m.

Data is inadequate to predict the coal resource endowment of EPC 1663 with any confidence, however the area is considered to be highly prospective, with potential to contain very large coal resources.

Figure 3.1 : Location, Pigeonhole Creek EPC 1663




Source: Queensland Dept Mines 'Interactive Resource and Tenure Maps' facility

Figure 3.2: EPC 1663 Pigeonhole Creek, geology and drill holes

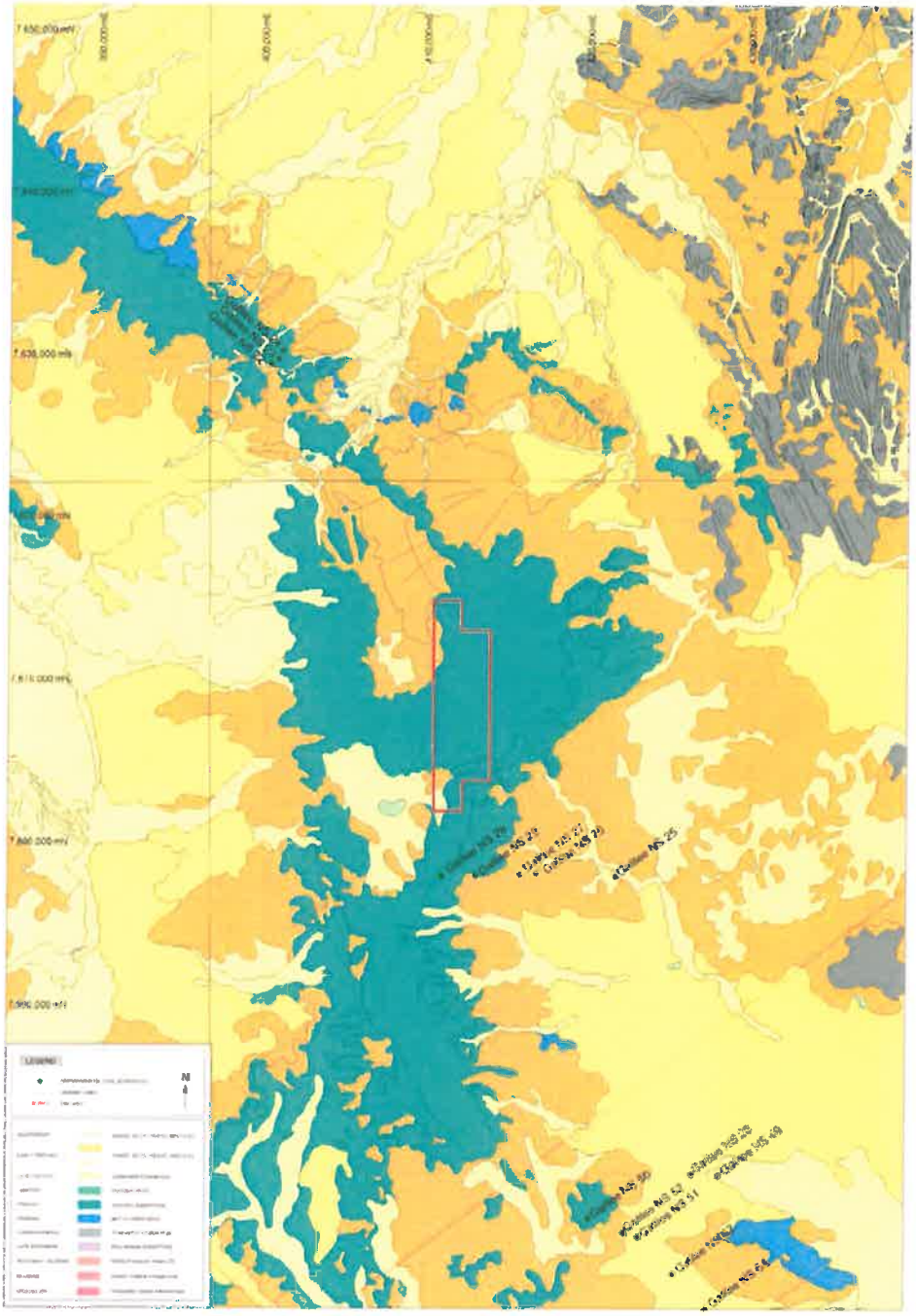


Figure 3.3: Diagrammatic cross-section, View Hill area (not to scale)

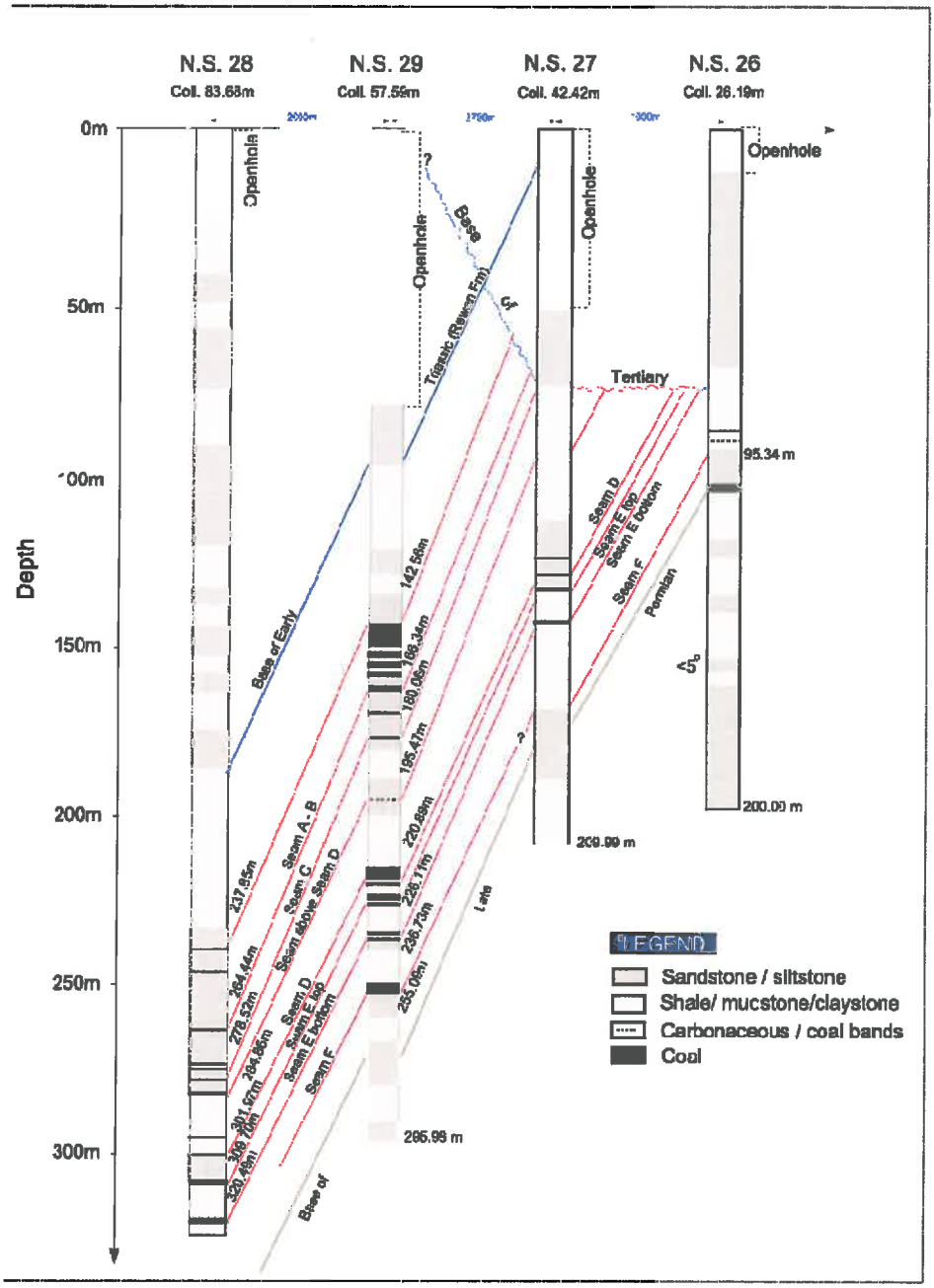


Figure 3.4: Diagrammatic cross-section, Mirtna area (not to scale)

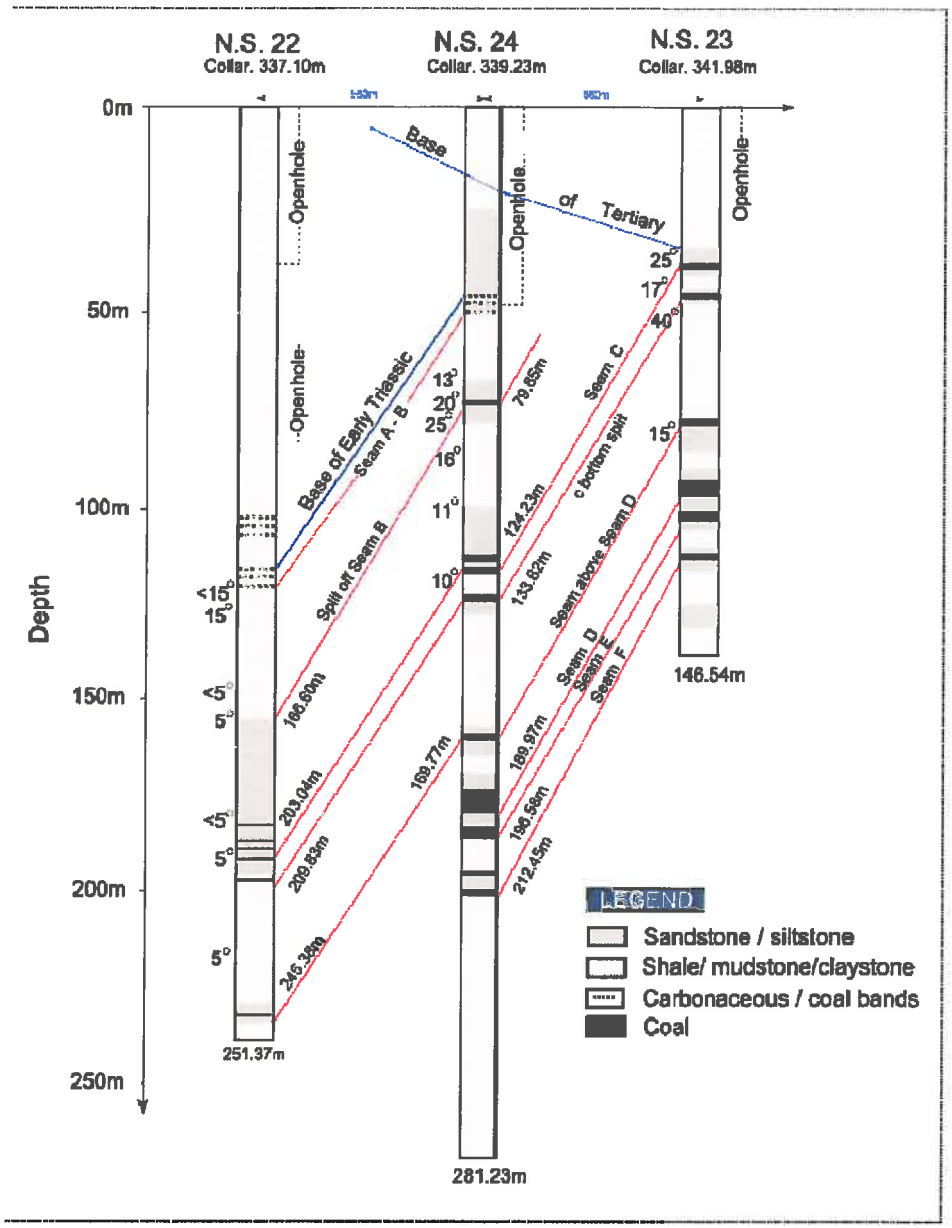
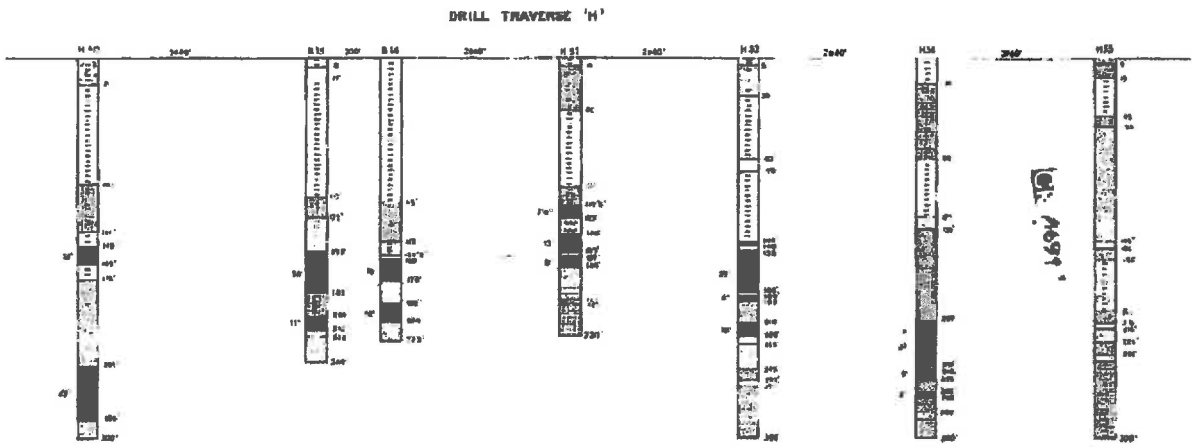


Figure 3.5: Mirtna, Oilmin drill line 'H'



# 4 EPC 1673 Sherwood Park

## 4.1 Introduction

EPC 1673 Sherwood Park was granted to Resolve on 29 October 2010. The tenement comprises 292 sub-blocks and covers an area of approximately 903km$^2$ (Table 4.1).

Table 4.1: Tenure, EPC 1673 Sherwood Park

| Tenure Type | Tenure Number | Status | Date Granted | Date Expires | Principal Holder | Number of Sub-blocks |
|---|---|---|---|---|---|---|
| EPC | 1673 | GRANTED | 29-OCT-2010 | 28-OCT-2015 | RESOLVE GEO PTY LTD | 292 |

The area is located just to the east of Adavale, 130km northwest of Charleville and 105km northeast of Quilpie in south-central Queensland. The Great Western Railway Line is located 70km directly south of the tenement, while the Barcaldine – Cheepie – Roma gas pipeline lies ~7km from the western boundary of EPC 1673 (Figure 4.1).

## 4.2 Topography and Land Use

The area is mostly flat-gently undulating with a central drainage system which flows west from higher ground to the north and east. Primary land use is beef cattle, with significant areas of very low value land with little economic activity.

Bordering the southern and south-eastern edge of EPC 1673 Sherwood Park is the Mariala National Park.

Vegetation in the area is dominated by semi-arid low eucalypt and acacia-dominated woodland scrub.

## 4.3 Geological Setting

The tectonic setting of inland central Queensland is a succession of superimposed sedimentary basins overlying a basement of Ordovician igneous and metamorphic rocks of the Thompson Fold Belt. Regional unconformities separate the basins from each other, and from the basement rocks.

Immediately overlying the basement are volcano-clastic, marine and continental sediments of the Devonian-age Adavale Basin which covers an area of ~66,000km$^2$ but is a fully concealed sub-surface basin.

Overlying the Adavale Basin are the Late Carboniferous-Mid Triassic sediments of the Galilee Basin. The Galilee is an extensive and relatively shallow intracratonic, foreland basin of largely fluvial sediments that contain coal seams within the Aramac Coal Measures and the Bandanna Formation/Betts Creek Beds.

Lying above the Galilee Basin is the Eromanga Basin, which covers an area of 518,000km$^2$ and is part of the larger Great Artesian Basin system.

The Eromanga Basin is the equivalent of the Surat Basin to the east, the 2 basins being separated by the Nebine Ridge. The uppermost unit of the Eromanga Basin is the Cretaceous-age Winton Formation, which is found at or near the present day surface and contains substantial coal measures.

The Winton Formation is the focus of exploration within EPC 1673.

## 4.4 Structure and Stratigraphy

The dominant geological structure relating to EPC 1673 is the Pleasant Creek Arch, a basement 'high' across which sediments were draped and folded, ultimately producing a number of regional structures including the Enniskillen Anticline, a north-east trending fold structure on the western flank of the Pleasant Creek Arch (Figure 4.2).

Within the region of EPC 1673 Sherwood Park, rocks of the Galilee Basin sequence are absent, pinched-out along the flanks of the Pleasant Creek Arch and Enniskillen Anticline. Based on widespread petroleum and gas drilling, and fully-cored regional stratigraphic drilling by the GSQ, within the Eromanga Basin sequence older underlying formations are not known to contain any coal of significance (Coote, 1987), and the only stratigraphic interval of interest is the uppermost Winton Formation.

The Winton Formation represents a marine regression and a return to fluvial and lacustrine conditions including the development of extensive coal swamp environments which resulted in the deposition of significant coal measures.

Regional stratigraphy is presented in Figure 4.3.

The Winton Formation is composed largely of siltstones, sandstones and coal seams and represents a Late Cretaceous regressive marine event, displaying a progression from fluvial to lacustrine to coal swamp environments. The Formation is widespread within the central part of the Eromanga Basin where it forms the youngest pre-Tertiary unit and is often found at the surface or covered by just a thin veneer of Quaternary alluvial sediments. The sediments of the Eromanga Basin have a general dip of less than $1^0$ towards the centre of the basin.

Individual coal seams of up to 7.6m have been recorded within the Winton Formation. Interburden between seams is dominated by very fine sandstones, siltstones and claystones. In hand specimen, the coals are dull, but the more vitrinite-rich end member coals can have up to 50% bright (vitrinite) bands, giving the seams a thinly banded appearance (Fielding 1992).

## 4.5 Coal Quality

Until very recently, the Winton Formation has not attracted much attention from coal explorers.

Coal quality data is hence relatively sparse, however there is some recent data available from East Energy Resources' EPC 1149 which lies to the north of EPC 1673 (Figure 4.4).

East Energy has been actively exploring within EPC 1149, and on 7 June 2011 reported JORC inferred and indicated resources within its project area to the Australian Stock Exchange. Information in Tables 4.2 and 4.3 is based on East Energy's announcement, plus historical documents sourced from the Queensland Government QDEX database dating from Thiess Bros exploration in the 1970's.

Table 4.2: Winton Formation raw coal quality analysis from EPC 1149 (air dried basis)

| Coal Quality parameter | EPC 1149 Indicated coal quality | EPC 1149 Inferred coal quality | Thiess Bros Ltd 1970 |
|---|---|---|---|
| Coal RD (In-situ) | 1.42 | 1.42 | - |
| Total Moisture (%) | 28.75 | 29.16 | - |
| Inherent Moisture (%) | 20.99 | 21.36 | 14.95 |
| Ash (%) | 23.61 | 21.5 | - |
| Volatile Matter (%) | 26 | 26.41 | 22.81 |
| Total Sulphur (%) | 0.49 | 0.47 | 0.43 |
| Specific Energy (Mj/kg) | 16.26 | 16.6 | 14.37 |

The raw coal quality data confirms Winton Formation coal as a low rank, sub-bituminous coal with very high inherent moisture content and intrinsically low energy value when converted to 'as received' basis.

Ash and energy content are unacceptable for this coal to be regarded as a potential future export thermal coal. The coal could be washed to reduce the ash content (Table 4.3) but washing has little impact on total sulphur content, and does not markedly affect the calorific value of the coal on an 'as received' basis which is the fundamental determinant of coal value and pricing.

Table 4.3: Winton Formation washed F1.60 coal quality analysis from EPC 1149 (air dried basis)

| Coal Quality parameter | EPC 1149 Indicated coal quality | EPC 1149 Inferred coal quality | Thiess Bros Ltd 1970 |
|---|---|---|---|
| F1.60 Product Ash (%) | 14.16 | 13.67 | 13 |
| F1.60 Product Volatile Matter (%) | 29.81 | 30.15 | 29.81 |
| F1.60 Product Sulphur (%) | 0.41 | 0.43 | 0.48 |
| F1.60 Product Specific Energy (Mj/kg) | 19.42 | 20.46 | 20.9 |
| F1.60 Product Yield (%) | 76.89 | 77.04 | 67 |

The most likely utilisation option for Winton Formation coal would be in a dedicated and adjacent coal-fired power station for electricity generation, or potentially in a coal-to-liquids application where the coal is first gasified and the 'syngas' converted to synthetic liquid transport fuels (diesel). The suitability of the coal for the latter application is unknown.

## 4.6 Historical and Recent Exploration

The area of EPC 1673 has not previously been explored for coal; however there are numerous adjacent exploration coal permits and applications targeting the Winton Formation.

Most significant is EPC 1149 held by East Energy Resources Ltd, 65km to the north of EPC 1673.

The area was previously explored by Thiess Bros Ltd (Thiess) in the 1970's in a search for coals suited to coal-to-liquids applications, and their exploration demonstrated aggregate coal thicknesses between 3-9m, and potentially large resources, with seams dipping gently to the west at 2-4$^0$.

In June 2011, East Energy released a JORC-compliant resource of 459Mt Indicated and 749Mt Inferred status within EPC 1149, based on drilling 249 boreholes, including 143 partially-cored holes from which samples were recovered for coal quality analysis. Drilling revealed multiple seams 0.5-3.0m in thickness, and aggregate coal thickness up to 8.5m.

The Winton Formation is also now being explored for coal seam gas (CSG) and Bow Energy has an exploration program in progress at their Canaway Ridge project, located 115km to the west of EPC 1673.

Previously, petroleum well Emu Creek 1 was drilled in 1987 for Agip Australia Pty Ltd in the north-west corner of Mariala National Park 1km from the boundary of the EPC 1673 and penetrated 142m of Winton Formation sediments from the surface.

Emu Creek 1 was targeting deeper structures, but recorded multiple coal horizons in the Winton Formation between 60m and 120m depth. The well log cuttings description is not highly accurate, but records coal from 60-80m depth (10% coal), 80-90m depth (100% coal), 90-100m depth (90% coal), and 110-120m depth (90% coal). Aggregate true coal thickness is uncertain, but appears to be of the order of 25-28m.

There is extensive seismic coverage regionally and within EPC 1673 but mostly targeting deep structures within the underlying Galilee and Adavale Basins, and with little near-surface detail from which useful conclusions can be drawn regarding the local geology, structure or coal endowment of the Winton Formation.

## 4.7 In-Situ Coal Resource Potential

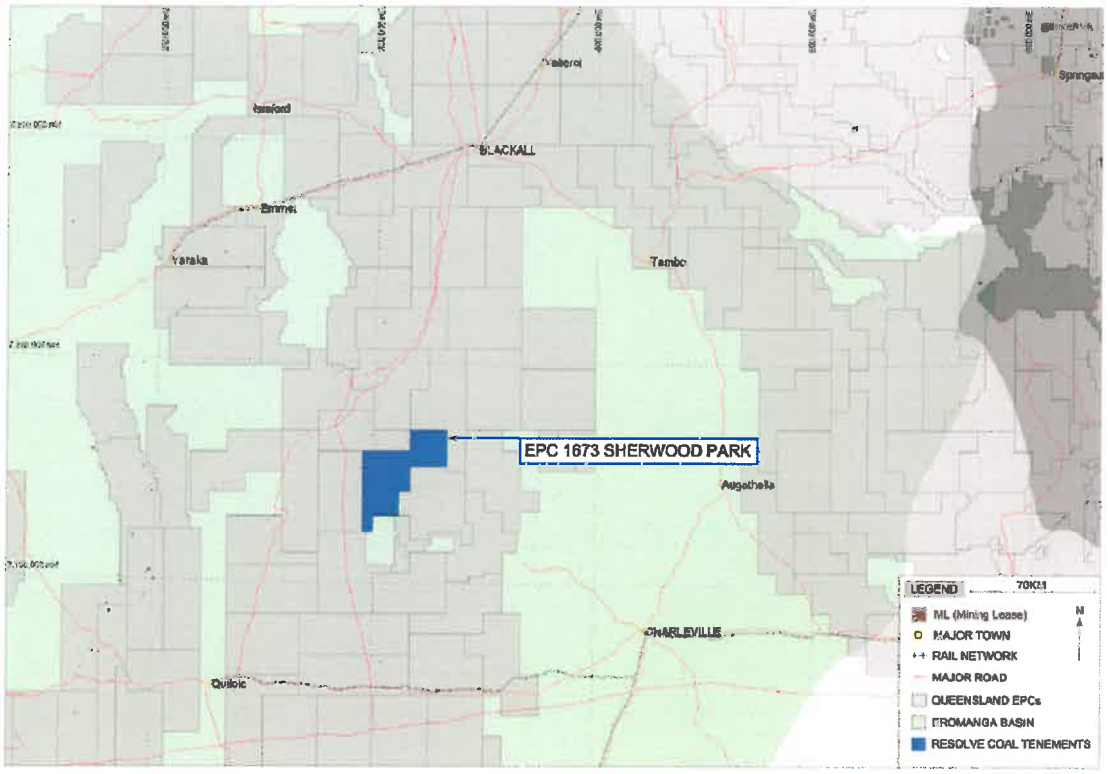
Resolve applied for EPC 1673 on the basis of reported cumulative coal thickness of ca.25-30m within the Winton Formation in petroleum well Emu Creek 1, located close to the southeast border of EPC 1673 within the Mariala National Park.

The widespread presence of coal within the Winton Formation is known from other historical petroleum and gas drilling, from recent CSG drilling, and coal has also been widely reported from water bore records.

In EPC 1149 located 65km to the north East Energy recently outlined substantial 'Indicated' and 'Inferred' resources of sub–bituminous C low rank thermal coal (ASTM classification) contained in multiple coal seams up to 3m thick.

There is insufficient data on which to base any in-situ coal inventory estimate for EPC 1673, however the area is considered to have high potential for large resources of similar low rank coal to be present.

Figure 4.1: Location, EPC 1673 Sherwood Park




Source: Queensland Dept Mines 'Interactive Resource and Tenure Maps' facility

Figure 4.2: Regional geology and structural setting, EPC 1673 Sherwood Park

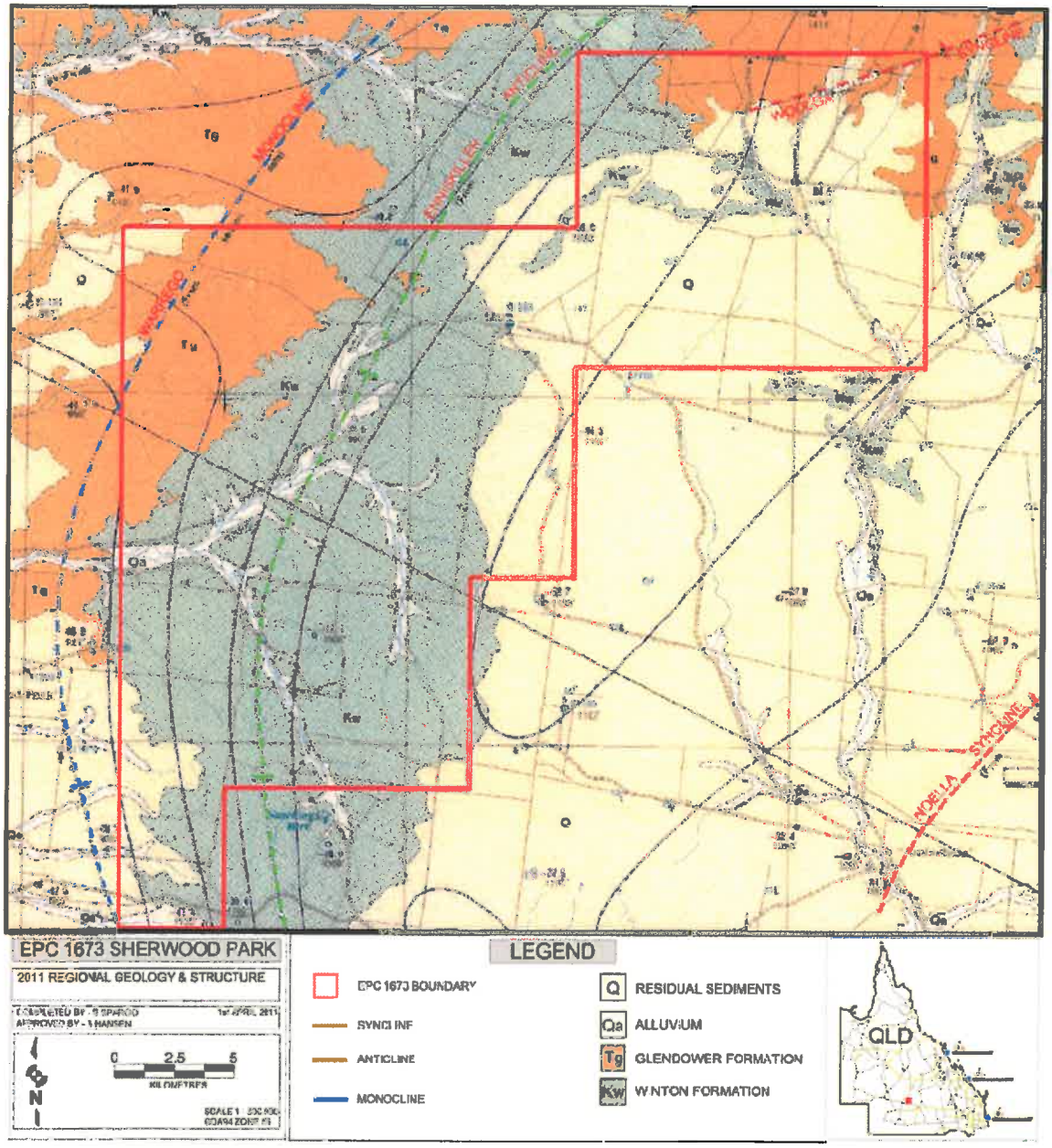


Figure 4.3: Eromanga Basin stratigraphy

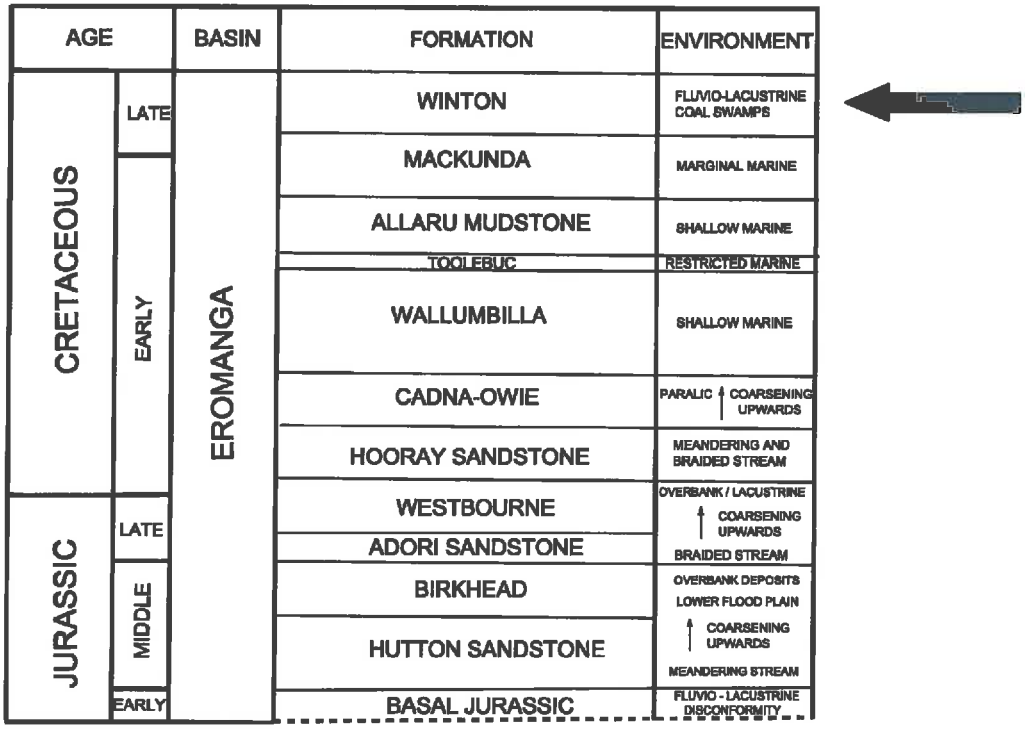
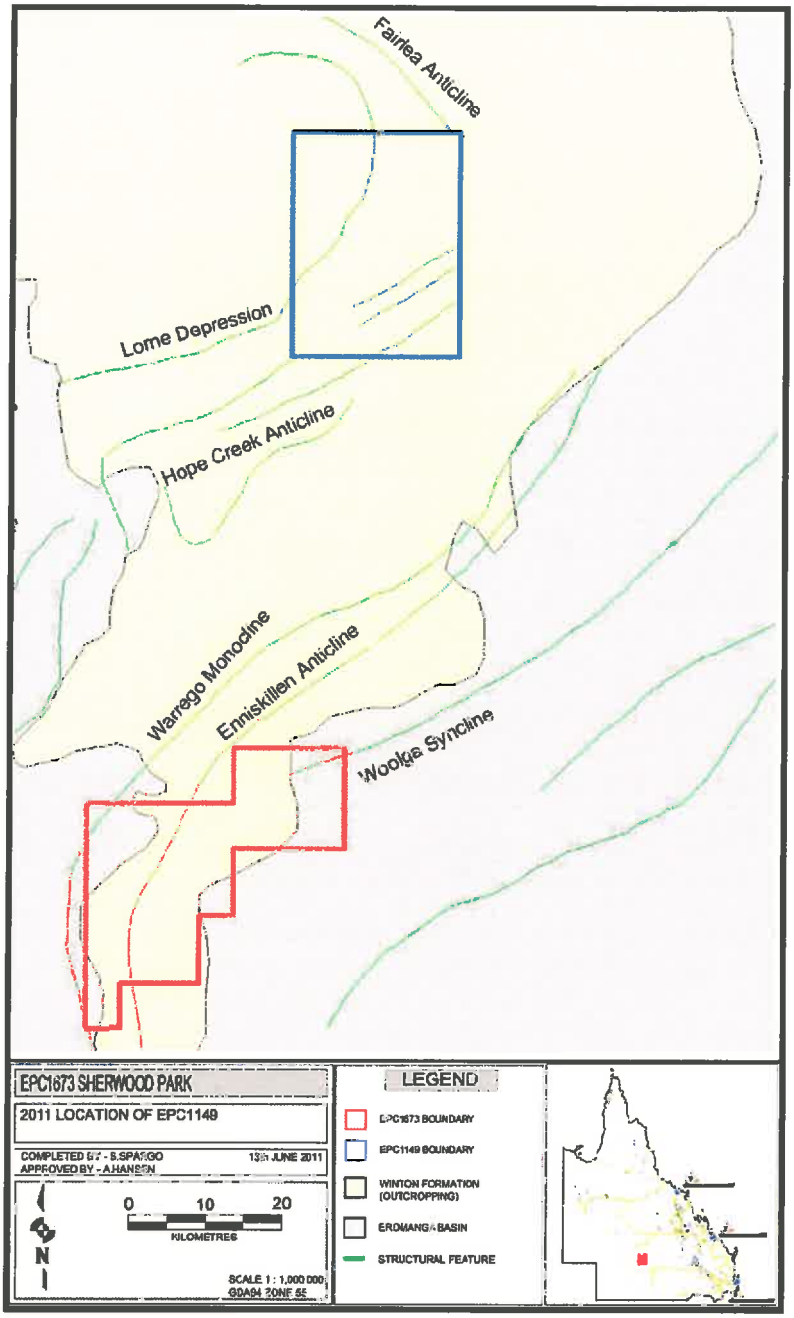


Figure 4.4: Location of EPC1149 Blackall project in relation to EPC1673 Sherwood Park



# 5 EPC 1754 Bully Creek and EPC 2050 Row Creek

## 5.1 Introduction

The Bully Creek and Row Creek tenements are contiguous with each other, and lie just to the northeast of Pigeonhole Creek EPC 1663 in the Galilee Basin (Figure 5.1).

Accordingly, these 2 areas share most characteristics, both with EPC 1663 and with each other and for simplicity the 2 tenements are described in this report jointly as 1 area.

Some of the content applying to EPC 1663 described above applies equally to Bully Creek and Row Creek (regional setting, local geology, rock units and coal prospectivity), and where applicable is referred to accordingly but the full content is not duplicated.

## 5.2 Location and Tenure Details

EPC 1754 Bully Creek was granted to Resolve on 29 of October 2010. The tenement consists of 49 sub-blocks totalling 156.5km$^2$ within the mining district of Emerald, Queensland (Table 5.1).

Table 5.1: Tenure, EPC 1754 Bully Creek

| Tenure Type | Tenure Number | Status | Date Granted | Date Expires | Principal Holder | Number of Sub-blocks |
|---|---|---|---|---|---|---|
| EPC | 1754 | GRANTED | 29-OCT-2010 | 28-OCT-2015 | RESOLVE GEO PTY LTD | 49 |

EPCA 2050 Row Creek was lodged on 1 February 2010 (Table 5.2) and is yet to be granted. The application consists of 22 sub-blocks totalling 79.89km$^2$, and adjoins EPC 1754 to the southwest, west, and northwest (Figure 5.2).

Table 5.2: Tenure, EPC 2050 Row Creek

| Tenure Type | Tenure Number | Status | Sub-Status | Date Lodged | Principal Holder | Number of Sub-blocks |
|---|---|---|---|---|---|---|
| EPC | 2050 | APPLICATION | EXPLORATION PERMIT PROPOSAL | 01-FEB-2010 | RESOLVE GEO PTY LTD | 25 |

The 2 tenements are located approximately 125km southeast of the township of Pentland on the Flinders Highway.

The area is characterized by hot wet summers and mild dry winters. Maximum temperatures range from 30° to 40°C in summer and 18° to 25°C in winter. Average rainfall of approximately 600mm occurs mainly in the summer 'wet season' between late November and March.

## 5.3 Geological Setting

The regional tectonic and geological setting of the Galilee Basin is described above in relation to EPC 1663 and applies equally here.

The basin is extensive, and contains largely fluvial sediments that contain coal seams within the Aramac Coal Measures and the Betts Creek Beds/Bandanna Formation (Holland and Applegate, 1997). The Aramac Coal Measures are not present along the northeast of the basin and are restricted to the central-west towards the Maneroo Platform (Figure 5.3).

The first geology work completed in the Galilee Basin proper was a hydrological study to investigate the Great Artesian Basin (Whitehouse, 1955).

The Geological Survey of Queensland completed a full surface mapping program at 1:250,000 scale in the 1960's (Figure 5.4), which led later to small-scale departmental drilling programs in the 1970's and 1980's.

## 5.4 Structure and Stratigraphy

The Koburra Trough, in the northeast portion of the Galilee Basin, contains up to 6,000m of sediments ranging from Late Carboniferous to Mid Triassic in age, of which 2,790m of Galilee Basin sediments have been confirmed in Lake Galilee 1, the closest petroleum well to the centre of the trough.

Galilee Basin strata are largely concealed beneath younger sediments, but outcrop along the east and north-eastern margin, including within the Bully and Row Creek tenements.

The Betts Creek Beds are the principal target. Seismic surveys completed to the north and south indicate that the Betts Creek Beds underlie the younger Triassic Warang sandstone, which is mapped to outcrop on the crest of multiple anticlines, including large areas within the 2 tenements (Figure 5.4).

At least six water bores are known from the immediate area of both EPC's 1754 and 2050 including two reported as intersecting coal. Water bore number 70515 is located 2.86km west of EPC 2050 and reported 4m of coal at 55m depth, and a further 3m of coal at 99m depth. Another water bore number 7752 at approximately the same location drilled in 1967 also recorded "black shale and coal" between 70.1m - 86.6m depth.

Both these water bores are kilometres further east from the generally accepted sub-crop limit of the Betts Creek Beds coal seams, and lend support to the seismic-based structural interpretation of repeated gentle syncline structures along the eastern basin margin (refer Section 3.5 below)

## 5.5 Geophysical Surveys

Broad scale regional gravity and magnetic data exists for the area, but contribute little to the understanding of the sub-surface geology or structure of the target tenement areas.

Regional seismic coverage (for petroleum exploration) is considerable, and a number of lines are located proximal to the Bully and Row Creek areas.

In the 1980's Canso Resources surveyed the area seeking reservoir traps in the deeper Drummond Basin sequence. Lines 82-23 and 83-99 lie to the south and north respectively (Figure 5.5) and display good

seismic reflections although both were predominantly focused on reflectors much deeper than the Permian coal measures.

Line CAR 83–99 is oriented perpendicular to the basin margin about 800m north of the northern boundary of EPCA 2050 and displays the steeply inclined northeast margin of the Koburra trough, and the superimposed fold structures within the shallower Permian coal measures (Figure 5.6).

Earlier, in the 1960's Amerada Petroleum acquired seismic data including along 3 lines which are close, and relevant, to EPC's 1754 and 2050. Line R58 shows strong reflectors in the west, interpreted as the Permian coal horizons, and these can be seen dipping gently west approaching the projected locations of the GSQ View Hill drill holes which were drilled later and are located just 'off section' to the north, between shot points 430-480 approximately (Figures 5.6 and 5.7).

The regional GSQ drill holes define the initial sub-crop zone of the coal seams within the Betts Creek Beds to the west. Although the seismic data suffers from a lack of resolution at shallow depth, east of shotpoint 490 there is clear evidence of deeper reflectors dipping gently back to the east, and then rising again at the limit of the profile at shotpoint 570. There is a lack of continuity in the reflecting horizons around shotpoint 530, but overall shows the deeper Drummond Basin basement to the coal measures include gentle down-folded areas which may have received later Permian coal measures sedimentation extending further east.

Amerada's Line R60 dissects the north of EPCA 2050 and further supports this possibility, showing a deep but gentle syncline which if "mirrored" at shallow depth could extend the limit of Permian sedimentation and coal measure deposition significantly further east (Figure 5.8).

This structure revealed by multiple seismic lines, the presence of surface outcrop of Warang Sandstone together with the reported occurrence of coal in at least two water bores at depths between 60m and 100m directly along strike from the north end of the Row Creek tenement lends support to the conceptual model that coal measures could underlie substantial parts of both tenement areas.

## 5.6 Coal Geology, Coal Seams and Coal Quality

The occurrence, characteristics and quality of coal in the GSQ View Hill and Mirtna drill holes (to the south and north respectively) is described earlier in this report (refer EPC 1663 Pigeonhole Creek), and is not repeated.

If present, coal will likely be of comparable quality to that which occurs at Mirtna and View Hill, but drilling is required to confirm the presence, depth, number, thickness and quality of seams present.

## 5.7 Recent Exploration

No historical exploration has been completed within the Bully and Row Creek areas; however the Queensland Geological Survey conducted exploratory coal drilling both northwest (Mirtna) and southwest of the target area (View Hill) during 1976 and 1977.

The GSQ drilling is described in detail earlier in this report (refer EPC 1663 Pigeonhole Creek area).

In the early 1990's New Hope Collieries held EPC 528 'Hyde Park' immediately to the south of the Bully Creek tenement. New Hope regarded the area as 'grass roots', and probably beyond the established

sub-crop limits of the Permian coal-bearing strata (Betts Creek Beds) known to the west. Numerous water bores occurred in the area, and although none had registered records, discussions with local landowners suggested at least some of these water bores had intersected coal, and that the coal might be of anthracite quality.

New Hope designed its exploration around 3 possible models for coal seam development:

- An embayment within the underlying Devonian Drummond Basin, allowing Permian coal measure deposition to extend further east;
- Existence of a down-thrown fault block within the Drummond Basin basement, preserving coal deposition further east; or more likely;
- An extension of the Mingobar Monocline feature to the southeast, aligned with a basement lineament (Belyando feature), bringing the Betts Creek Beds closer to surface beneath younger sediments.

New Hope drilled just one hole adjacent to an historical (1940's) water bore where high rank coal was reported at shallow depth (<30m). The New Hope hole reached 57m (170') and terminated in Tertiary clays and sands. In light of these results New Hope concluded EPC 528 was unprospective and the area was surrendered but was not thoroughly tested.

## 5.8 Exploration Potential

Vast resources of low grade thermal coal are known from within the Middle Permian Betts Creek Beds just to the west of the Bully and Row Creek tenements, extending north and south along the eastern limits of the Galilee Basin.

GSQ drilling at Mirtna and View Hill reported by Carr (1976, 1977) noted thick and potentially mineable coal at both locations.

The occurrence and extent of coal within the Resolve licence areas is unproven, but surface geological mapping, seismic data, and reported coal occurrences in nearby water bores provide positive evidence for the existence of coal measures at shallow depth.

There is insufficient data to attempt to estimate coal resource endowment within the Bully and Row Creek tenements however the areas are extensive covering about 236km$^2$ with considerable potential to host very large resources of thermal coal.

Figure 5.1: Location, EPC's 1754 Bully Creek and 2050 Row Creek

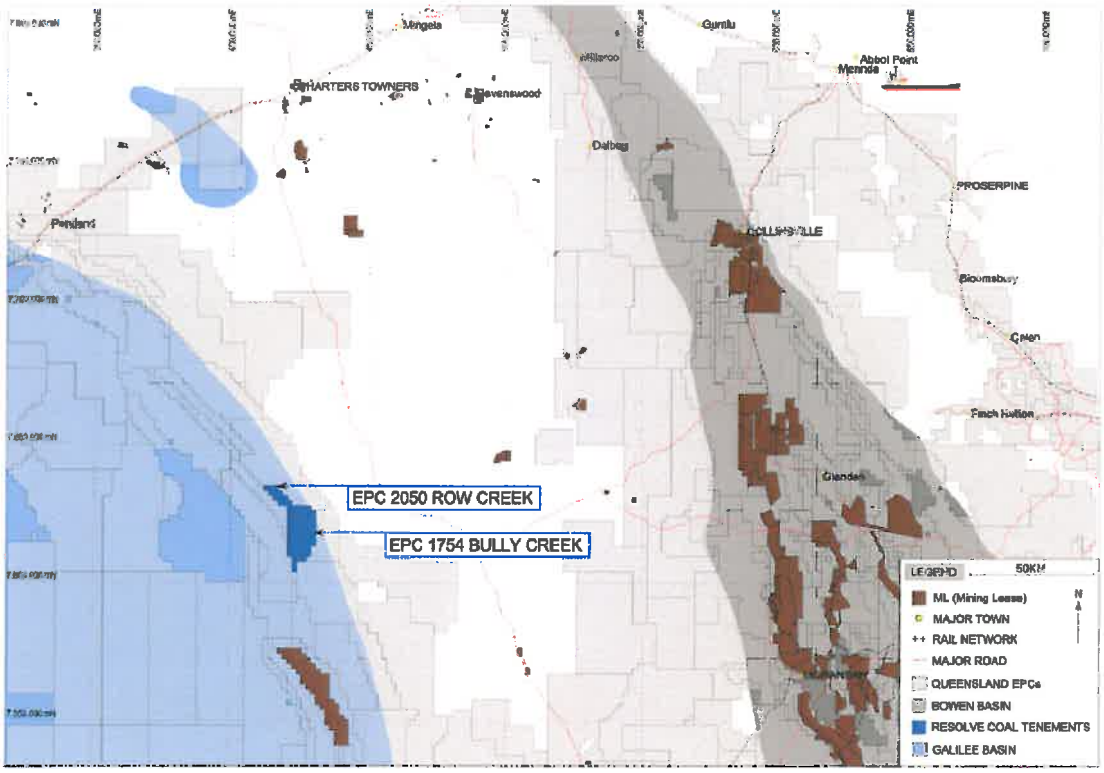


Figure 5.2: Relative location, EPC's 1754 and 2050

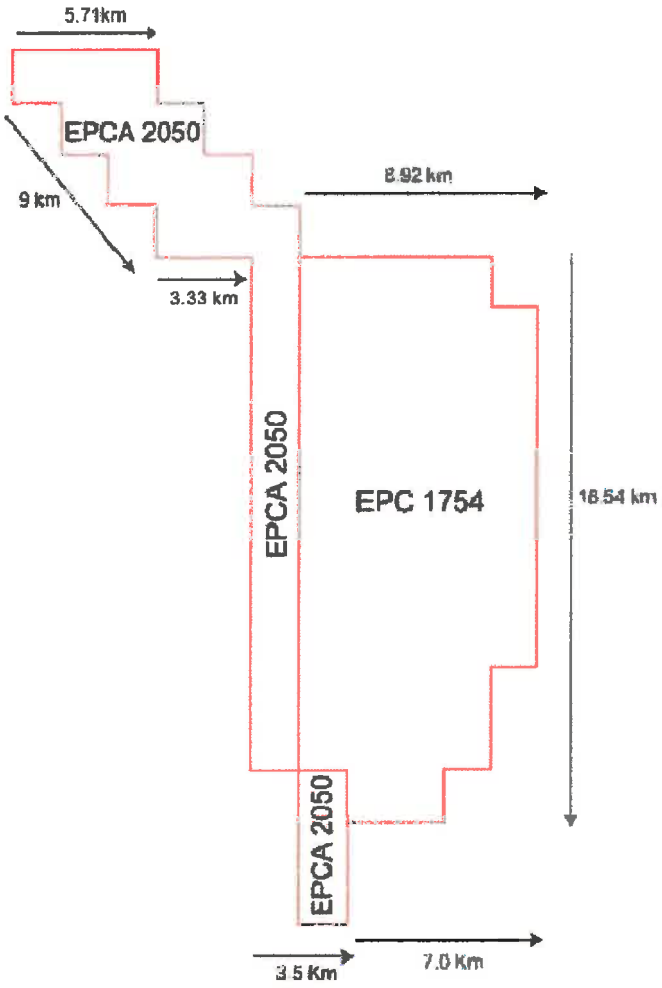


Figure 5.3: Regional setting

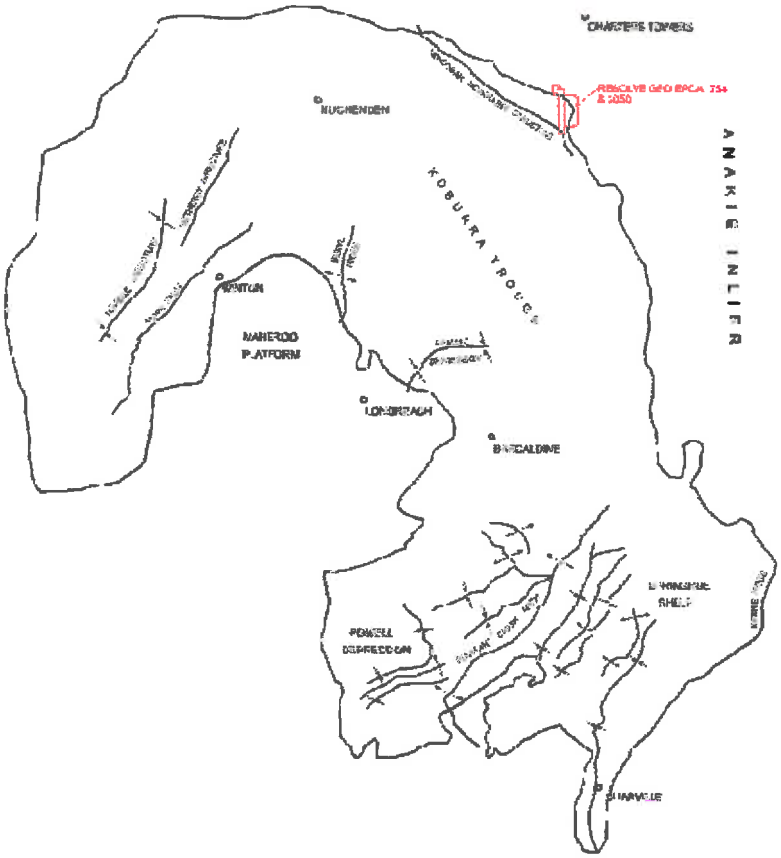


Figure 5.4: Regional geology, EPC's 1754 and 2050

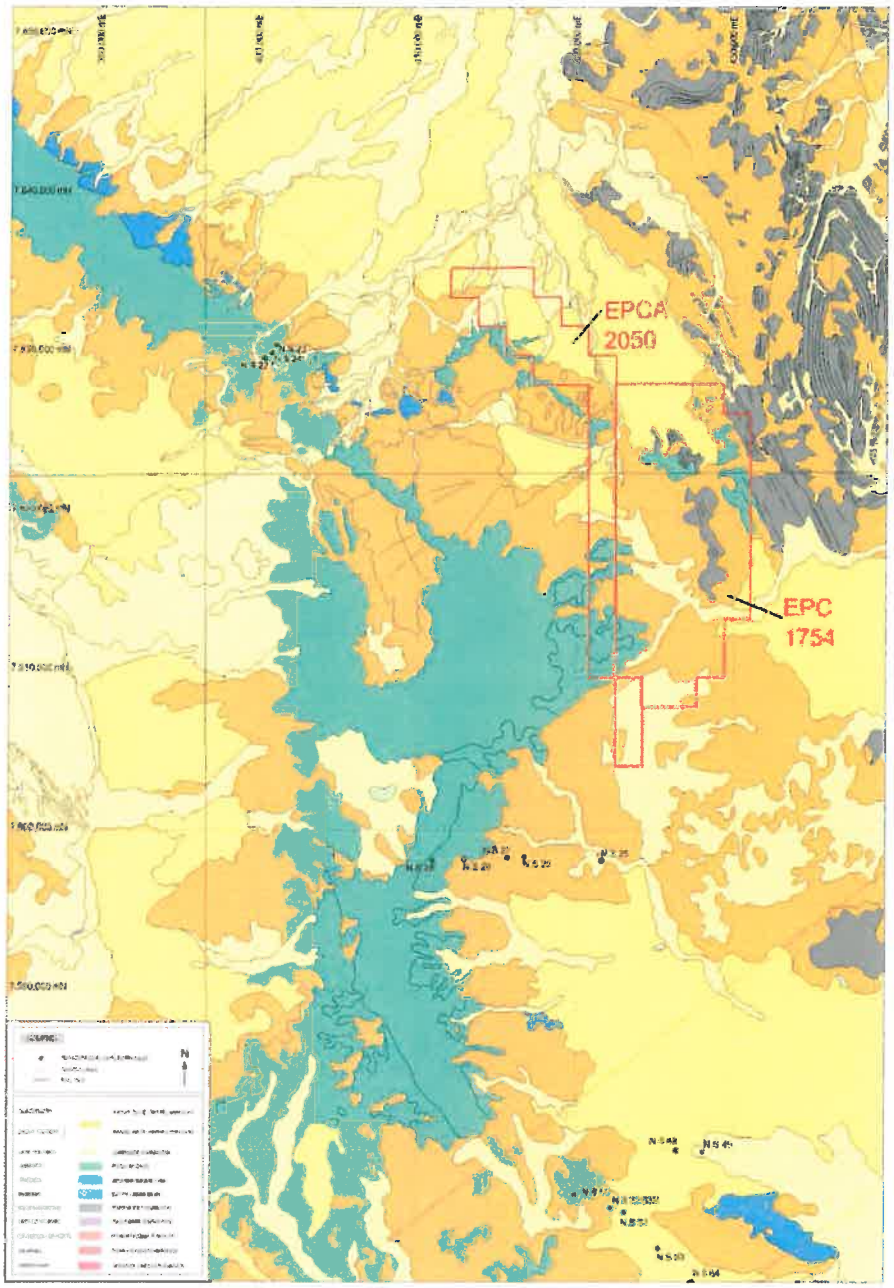


Figure 5.5: Seismic line (and shot point) locations proximal to EPC's 1754 and 2050

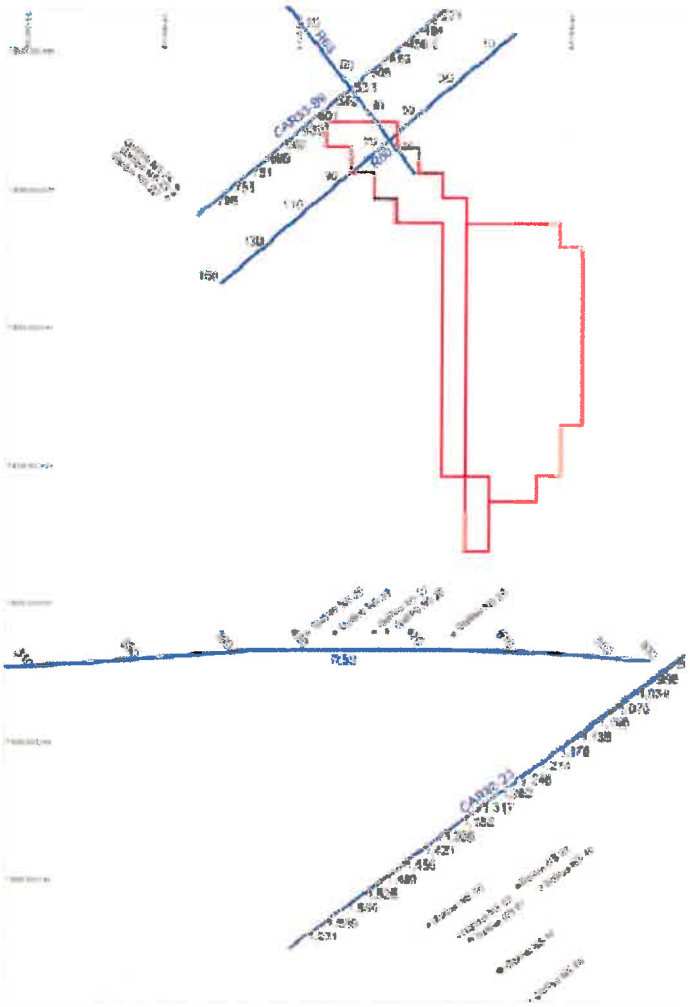


Figure 5.6: Canso Resources seismic line 83-99

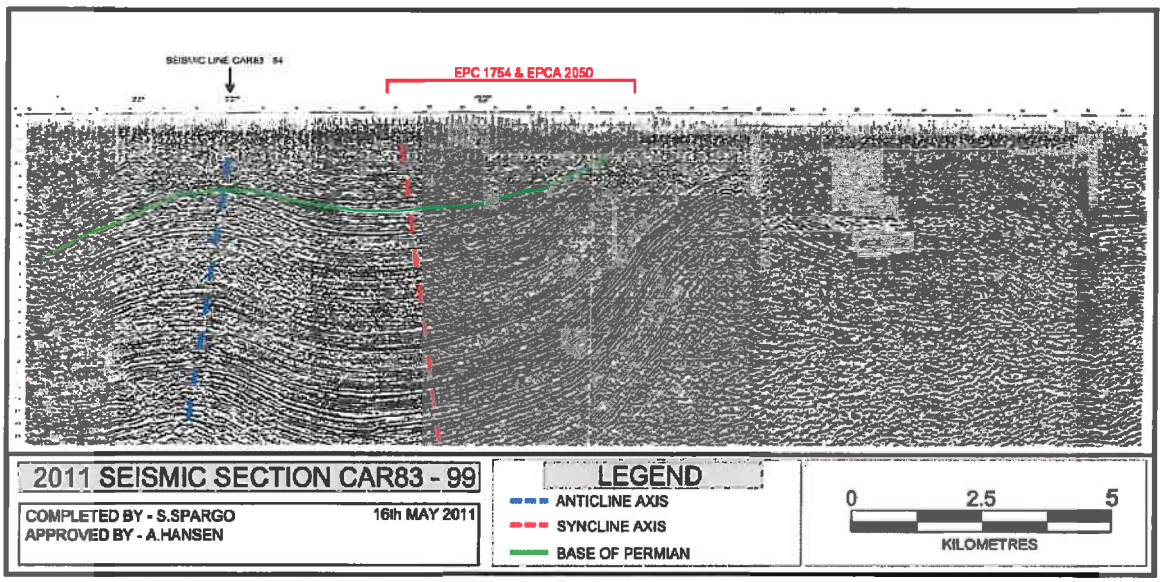


Figure 5.7: Seismic line R58

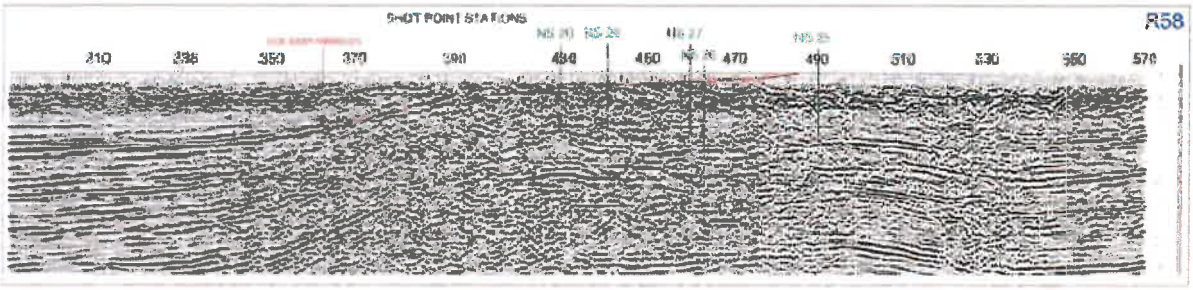
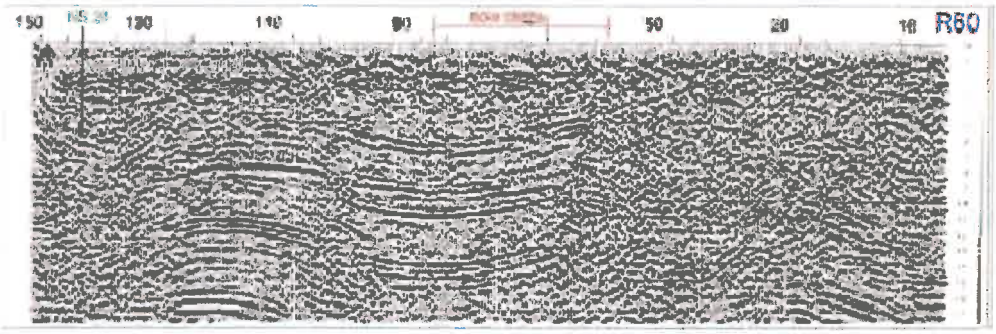



Figure 5.8: Seismic line R60



# 6 EPC 1857 Lake Powlathanga and EPC 1969 Trafalgar

## 6.1 Introduction

These 2 licence areas are adjoining, have common characteristics, geology and exploration objectives, and are considered jointly in this report.

## 6.2 Tenure Details, EPC 1857 Lake Powlathanga

This area was recently granted to Resolve for an initial term of 5 years.

The area comprises 90 sub-blocks or approximately 290km$^2$ (Table 6.1).

Table 6.1: Tenure, EPC 1857 Lake Powlathanga

| Tenure Type | Tenure Number | Status | Date Granted | Date Expires | Principal Holder | Number of Sub-blocks |
|---|---|---|---|---|---|---|
| EPC | 1857 | GRANTED | 26 July 2011 | 25 July 2016 | RESOLVE GEO PTY LTD | 90 |

EPCA 1857 adjoins the Trafalgar tenement EPC 1969. Both areas target an outlier of the Galilee Basin within the Charters Towers mining district.

## 6.3 Tenure Details, EPC 1969 Trafalgar

Resolve holds a 100% interest in EPC 1969 Trafalgar, which was granted over 50 sub-blocks (161km$^2$) commencing 21 April 2011 for an initial term of 5 years (Table 6.2).

Table 6.2: Tenure, EPC 1969 Trafalgar

| Tenure Type | Tenure Number | Status | Date Granted | Date Expires | Principal Holder | Number of Sub-blocks |
|---|---|---|---|---|---|---|
| EPC | 1969 | GRANTED | 21-APR-2011 | 20-APR-2016 | RESOLVE GEO PTY LTD | 50 |

The application was made to investigate the potential of an area of mostly concealed Permian sediments overlain by outcropping Warang Sandstone. In the Galilee Basin, the Warang Sandstone directly overlies the coal-bearing Middle Permian Betts Creek Beds.

The area was considered therefore to have potential as a remnant basin outlier located beyond the recognised limit of the Galilee Basin, and which might have potential for underlying coal measures.

## 6.4 Location, Access and Infrastructure

The 2 areas are centred on Mt Bohle just to the southeast of Balfes Creek on the Flinders Highway approximately 30km southwest of Charters Towers (Figure 6.1).

The Flinders Highway and the adjacent Mt Isa-Townsville railway line cross the north of the Lake Powlathanga tenement. Minor station roads and tracks provide reasonable access to much of the project area, which is characterised by mostly gentle-flat terrain, and covered by open dry eucalypt forest.

The major land use is cattle raising.

The area is characterised by hot wet summers and mild dry winters. Maximum temperatures range from 28° to 42°C in summer and 18° to 25°C in winter. Average rain fall of approximately 600mm occurs mainly between December and April.

No endangered regional ecosystems or other environmentally sensitive areas exist in the area.

## 6.5 Regional and Local Geological Setting

The Lake Powlathanga/Trafalgar area coincides with an interpreted outlying Permian basin (Balfes Creek Outlier) beyond the northeast margin of the Galilee Basin (Figure 6.2).

Regional geological mapping and GSQ stratigraphic drilling confirms the presence of concealed and outcropping Carboniferous, Permian and Triassic-age rocks being time and rock unit equivalents of the Boonderoo Beds-Betts Creek Beds-Warang sandstone stratigraphic interval within the Galilee Basin proper.

Seismic surveys undertaken in the 1980's across the northeast margin of the Galilee Basin display compressional folds converging along the eastern section of the Koburra Trough within the Galilee Basin and extending towards Charters Towers. Multiple seismic lines show gentle fold structures which extend well beyond the recognised limits of the basin.

EPCs 1857 and 1969 appear to coincide within 1 such fold structure in an outlier some 50km northeast of the main basin margin (Figure 6.2).

In the Galilee Basin, the Betts Creek Beds host very large resources of coal and correlate with the Bandanna Formation and the commercially important Rangal Coal Measures in the Bowen Basin to the east.

In the Galilee Basin, the Warang Sandstone directly overlies the Betts Creek Beds and in the Resolve areas has been mapped in outcrop over a significant area in the south of EPC 1857 and extending into EPC 1969 Trafalgar (Figure 6.3).

BMR reconnaissance gravity surveys dating from the 1950-1960's suggested a concealed basin in the Balfes Creek region which has since been confirmed by GSQ stratigraphic and other exploratory drilling and which intersected the Warang Sandstone, and the stratigraphically lower Late Carboniferous-Early Permian Boonderoo Beds, however the intervening Middle Permian Betts Creek Beds have not been identified.

Resolve's exploration strategy for these areas was based on the potential for the existence of coal-bearing Betts Creek Beds underlying the Warang Sandstone or concealed beneath superficial Tertiary deposits.

## 6.6 Coal Quality

Coal quality within the outlier is wholly unknown, but if coal is present is most likely to be comparable to the Pentland area - the closest Galilee Basin coal occurrence.

Pentland area coals are low rank sub-bituminous A (ASTM classification) thermal coals, without coking properties, but potentially amenable for utilisation in conventional coal-fired power stations, and possibly, for export.

## 6.7 Historical Exploration

There has been little dedicated coal exploration conducted within the Lake Powlathanga/Trafalgar lease areas.

Early regional geological investigations in combination with BMR regional gravity and magnetic surveys suggested the possibility of a mostly concealed sedimentary basin in the Balfes Creek area, and in 1980, the Queensland Geological Survey drilled a fully cored regional stratigraphic hole, GSQ Charters Towers 1 located adjacent to the Flinders Highway at Balfes Creek (Balfe, 1980). The hole confirmed the presence of an outlier of Late Carboniferous-Early Permian rocks which included the Boonderoo Beds and an overlying sandstone regarded as equivalent to the Triassic Warang Sandstone, but did not intersect any coal.

In 1981, Metals Exploration (MetalEx) took out 2 coal exploration tenements over what they referred to as the Balfes Creek (Burdekin) coal prospect. The areas are roughly coincident with Resolve's current Lake Powlathanga and Trafalgar areas, and targeted economic coal within the Balfes Creek basin. MetalEx initially conducted detailed and extensive gravity and resistivity surveys to define the basin and establish depth to basement, identifying 3 gravity "lows" which they later drill-tested with 20 chip holes up to 233m in depth (holes pre-fixed BC-, and locations shown on Figure 6.3).

A number of these intersected intervals of weathered Warang Sandstone overlying mostly shaley rocks interpreted as equivalent to the Boonderoo Beds, but none intersected the target Betts Creek Beds which host coal in the Galilee Basin to the west. Most of these holes were remote from the current tenement areas, and spudded into Tertiary sediments directly overlying Silurian and Ordovician aged rocks, and only two (BC8, BC11) were located proximal to areas of mapped Warang Sandstone. Both terminated in rocks described as lithic and greenish coloured sandstone - probably Warang Sandstone - and may not have penetrated sufficiently deep to establish the presence of underlying coal measures.

MetalEx reported the program was ..."not successful in locating economic coal measures" and the licence areas were relinquished.

Later in the mid 1990's, Normandy Exploration reported a nearby 6m interval of coal at 41m depth in hole BEA315 while conducting exploration for other minerals within their leases EPM 9251 and 9693. Hole BEA315 is located central to EPC 1857. Normanby lodged an application for a coal exploration licence (EPC 629), but later withdrew the application and never progressed the exploration of the area.

Most recently, Baradine Bay Pty Limited held EPC's 1097 and 1098 over the same areas commencing in 2006 but did not submit any reports to the Queensland Mines Department. It is unknown what if any exploration was conducted by Baradine, but the areas were surrendered in 2009 and remain untested.

## 6.8 Exploration Potential

The target is a known sedimentary basin, and inferred as a structurally preserved remnant or outlier of the main Galilee Basin.

Previous Qld Mines Department stratigraphic drilling and company exploration focused on the same target area intersected sedimentary rocks ranging in age from Late Carboniferous through to the Triassic Warang Sandstone which outcrops over a significant area within both tenements.

Within the Resolve tenements, the presence of outcropping Warang Sandstone suggests potential for underlying Permian strata which, in the Galilee Basin proper, are known to host very large resources of low grade thermal coal. Confirmation of underlying coal potential is provided by one mineral exploration drill hole reported as intersecting 6m of coal at shallow depth.

Two additional holes drilled by MetalEx terminated within probable Warang Sandstone but did not penetrate deep enough to confirm the existence of underlying coal measures.

An area of up to 40km$^2$ is considered to have potential for concealed Permian-age coal measures beneath outcropping Warang Sandstone.

Coal resource endowment is unknown, but potentially significant.

Figure 6.1: Location, EPC's 1857 Lake Powlathanga and 1969 Trafalgar

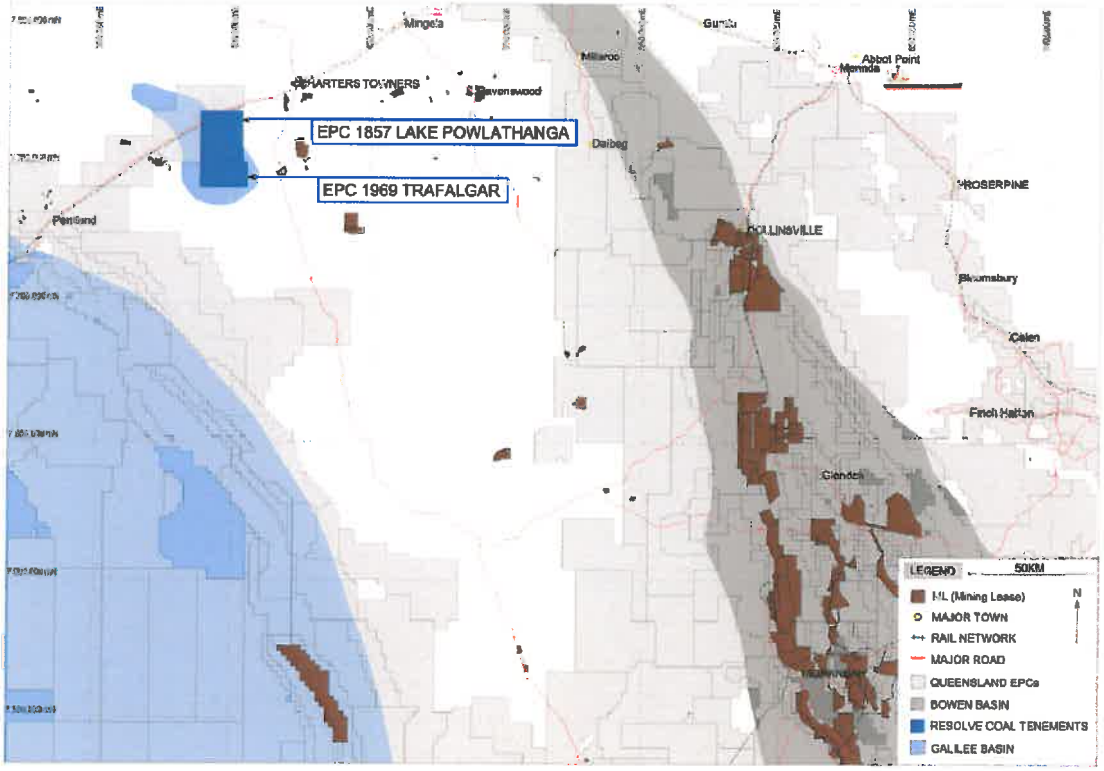
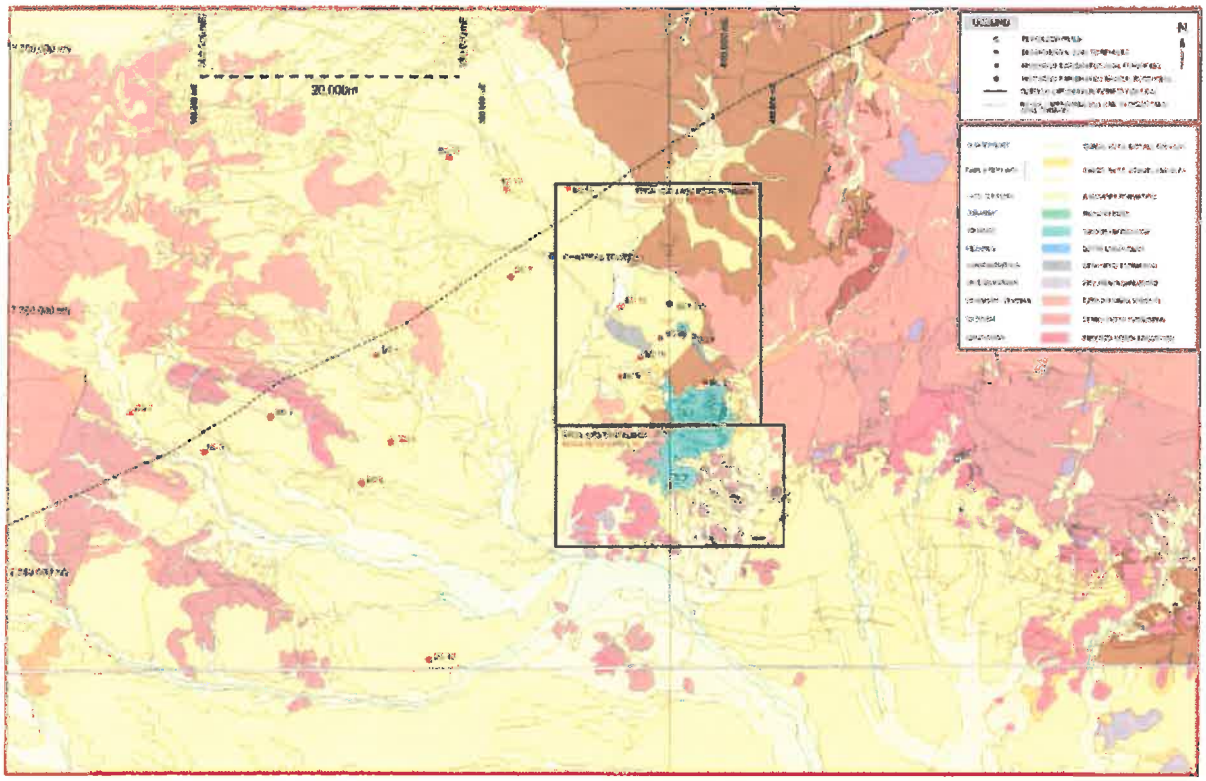


Figure 6.2: Tectonic setting, EPC's 1857 and 1969 relative to the Galilee Basin

Figure 6.3: Geological setting and distribution of historical drill holes, EPC's 1857 and 1969



# 7 EPC 1954 Jeffries Creek

## 7.1 Location and Tenure Details

EPC 1954 Jeffries Creek was granted to Resolve on 4 February 2011 over an area of 11 sub-blocks (approximately 34.5km$^2$) for an initial term of 5 years (Table 7.1).

Table 7.1: Tenure, EPC 1954 Jeffries Creek

| Tenure Type | Tenure Number | Status | Date Lodged | Date Granted | Date Expires | Principal Holder | Number of Sub-blocks |
|---|---|---|---|---|---|---|---|
| EPC | 1954 | GRANTED | 05-OCT-2009 | 04-FEB-2011 | 03-FEB-2016 | RESOLVE GEO PTY LTD | 11 |

The tenement is located approximately 27km south of Emerald (Figure 7.1) immediately south of the impounded area of Lake Maraboon created by the Fairbairn Dam.

The Minerva mine is situated ~6.48km south of EPC 1954.

Access to the licence area is via the partially sealed Cullin-La-Ringo Road from Fernlees on the Gregory Highway linking Emerald to Springsure, and thereafter by a few unsealed roads and property tracks.

The Emerald-Springsure rail line parallels the Gregory Highway 5km east of the EPC 1954, and is currently used to transport PCI and thermal product coal from the Minerva Mine to the export terminal at Dalrymple Bay.

Restricted Area RA 197 (Fairbairn Dam Catchment Area; shaded yellow in Figure 7.1) overlaps the licence and borders the area to the north and northeast.

RA 197 is classified by DERM as a Category C Environmentally Sensitive Area, and subject to special conditions requiring approvals for activities within the Fairbairn Dam catchment, and undertakings that any activities will not impact on the catchment area or the water quality of the dam. Approvals for any future development would likely be subject to stringent environmental impact assessment.

Topographically, the area is subdued, comprising gently undulating plains incised by shallow perennial stream valleys with a few low rises and hillocks of rubbly basalt outcrop.

Existing land use in the immediate tenement area is primarily cattle breeding and fattening. The area is also now identified as a 'strategic cropping protection area', under the Queensland Government's recent 'strategic cropping' land use policy, with possible future implications in relation to any proposed mining development.

The tenement area was previously a part of and now adjoins another Restricted Area, RA 279, the Cullin-la-ringo coal resource area #2, (outlined blue in Figure 7.1) which was originally part of a much larger central Queensland coal exploration Restricted Area and from which it was offered for release in the 1990's but no competitive tenders were offered. The area remained a part of RA 279 until October 2009 when Resolve lodged its licence application.

The Cullin-la-ringo coal resource area is reported as having a coal resource inventory of the order of 1Bt (D'Arcy, 1989).

## 7.2 Regional and Local Geological Setting

EPC 1954 is located in the southwest Bowen Basin of central Queensland, towards the margin of a major regional depression known as the Denison Trough.

The area contains rocks within 4 major stratigraphic sub-divisions, from uppermost Tertiary volcanics, claystones and other superficial deposits, to the underlying Permian Cattle Creek Formation and target Reids Dome Beds, and lowermost and undifferentiated basement rocks of Devonian-Carboniferous age.

Regional stratigraphic relationships are shown in Figure 7.2.

The coal-bearing sediments of the Reids Dome Beds unconformably overlie and lap onto faulted and steeply dipping Devonian-Carboniferous age sediments in a series of northwest trending grabens and half grabens which dip gently northeast towards the axis of the Denison Trough.

To the east, the Reids Dome Beds are partially and unconformably overlain by a thin wedge of marine sediments belonging to the Cattle Creek Formation.

Extensive Tertiary flood basalts and minor sediments form an almost complete covering over the entire area, and can attain considerable thickness exceeding 100m.

Isolated intrusions are known from the Minerva area to the south, but seem to have only very localised effect on the coal measures.

The early Permian Reids Dome Beds are the target formation and can be divided into 3 sub-groups (Figure 7.2):

1. A basal sequence characterised by black shale and mudstone with a number of included coal seams, anhydrite layers and interbeds of hard carbonaceous sandstone and orthoquartzite; distributed erratically across faulted Devonian basement.

2. A middle sequence hosting, more continuous in distribution, and hosting 2 major coal seams (Iota, and Kappa). The unit is comprised of black to grey carbonaceous micaceous shale, siltstone, and sandstone with other lesser coal seams, thin dolomite beds, and locally thick beds of polymictic conglomerate. A thick sequence of interbedded volcanolithic pebble conglomerate and lithic feldspathic sandstone may also be present within this middle unit.

3. An upper sequence, again inconsistent in distribution due to erosional phases but does support several smaller coal-bearing layers including the Gamma seam. The unit consists of interbedded fine to coarse carbonaceous sandstone, dark carbonaceous siltstone and shale, and coal.

In total, as many as 49 individual coal plies may be present, arising as seam splitting from 17 primary coal seam horizons.

Structurally, the geology of the Permian and pre-Permian sequences is quite complex but without surface expression due to the masking effects of the extensive Tertiary basalts which cover the area.

Seismic and geological modelling based on drilling data suggests that basement is broken into multiple fault blocks by a complex pattern of faulting; however the coal measures themselves don't appear to be significantly affected by the basement structure.

Beneath or immediately south of Lake Maraboon, and possibly coincident with parts of EPC 1954, the Reids Dome Beds are interpreted as truncated by 1 of a number of major east-northeast trending faults, and are also fault-bounded to the west against pre-Permian basement.

A simplified structural interpretation of the area appears in Figure 7.3.

Regional trends and evidence from local geological modelling within the coal measures shows a relatively uniform and consistent strike to the north, and gentle easterly dip of about $4^0$.

Most or all of the licence area should be underlain by multiple coal seams, although not all seams occur in all drill holes, and the current drilling density and distribution does not allow complete seam correlation throughout the area with high levels of confidence. The existing drill hole spacing is quite broad, and additional undetected faulting may render parts of the tenement area less prospective, with some coal seams being absent or thinned across uplifted basement blocks (e.g. DE 233).

## 7.3 Exploration History

Significant coal within the Reids Dome Beds was first suggested by early seismic (Emerald 6, Line B, geophysical Service International, 1964) which showed a strong reflector interpreted as coal lying beneath basalt cover. In 1976, the Queensland Mines Department drilled a test hole GSQ Emerald 1 (ED 1) south of Lake Maraboon which intersected 385m of coal-bearing Reids Dome Beds.

Follow-up drilling was undertaken in 1978 (DE 23, 2km east of ED 1) and 1979 (DE 34, 5km southwest of ED 1) which together was the catalyst for a more extensive drilling campaign of 7 partially cored holes drilled in 1985 all of which intersected thick coal intervals and which cumulatively suggested the presence of a large-very large inferred resource of low ash, low sulphur, high volatile content steaming coal contained within at least 8 discrete coal seam horizons.

In 1988, a $5^{th}$ round of drilling (7 holes) was initiated to extend the limits of the known deposit area, to the north and south of the initial inferred resource area, and a further 3 holes completed in mid-1989 to aid in defining the western limits of the deposit.

Of these 20 holes, 1 hole DE 233 is located central and within the current Resolve tenement area, and a further 10 holes are located proximal to the area (Figure 7.4).

Numerous water bores exist in the area but don't contribute to knowledge of the geology or coal resource endowment, having terminated at shallow depths without intersecting coal however these water bores do provide useful data on the thickness of Tertiary basalt cover which generally thickens to the west where the coal is shallower. Average basalt thickness varies between about 80-90m in the west, to about 50m in the east.

## 7.4 Coal Seams

A total of 49 individual coal plies greater than 20cm thickness have been recorded in the area, and originate from 17 seam horizons allocated Greek letter designations down the sequence from Alpha to Rho.

Individual plies within a given seam horizon (splits and upper and lower 'rider' seams) share that horizon's letter designation as part of their name.

Seam nomenclature and thicknesses are summarised in Table 7.2.

Many of the individual coal plies and composite seam intervals are relatively thin and inferior, and it is likely that some coal plies or seam intervals will not be attractive to mine.

The seams of most commercial interest are the Iota, Kappa and Omicron seams, which are thicker and/or cleaner, and/or more laterally pervasive across the Cullin-la-ringo deposit area.

Table 7.2: Cullin-La-ringo Region, Seam Nomenclature and Thicknesses (m) (After DÁrcy, 1989)

| Seam Horizon | No. of Seams | Seams | Average Thickness | Minimum Thickness | Maximum Thickness | Lithology Description |
|---|---|---|---|---|---|---|
| Alpha | 1 | Alpha | 0.8 | 0.22 | 2.02 | The Alpha horizon is of poor quality and includes numerous carbonaceous mudstone and dark grey mudstone interbands. |
| Beta | 1 | Beta | 0.85 | 0.32 | 1.57 | The Beta horizon is distinguished from the other upper seams with a relative higher brightness. Bands of non-coal material are rare in the thinner intersections of the seam but are common in the thicker intersections. The horizon has never been sampled for coal quality. |
| Gamma | 7 | Gamma | 3.05 | 0.75 | 4.97 | The Gamma horizon is commonly intruded by one or more diorite sills. This has resulted in the splitting and partial coking of the seam. The Gamma horizon is comprised of typically moderately dull coal interbanded with a number of carbonaceous mudstone and dark grey mudstone bands. These non-coal intervals can form up to 40% of the total seam thickness. |
| | | Gamma upper split A | 0.47* | 0.38* | 0.57* | |
| | | Gamma upper split B | | | | |
| | | Gamma upper split C | | | | |
| | | Gamma upper split D | | | | |
| | | Gamma lower split Y | | | | |
| | | Gamma lower split Z | | | | |
| Delta | 3 | Delta upper | 1.86* | 1.4* | 2.16* | The Delta horizon seams are composed of relatively dull coal but are dominantly free of stone bands. The limited stone bands are comprised of carbonaceous mudstone. |
| | | Delta | | | | |
| | | Delta Lower | | | | |
| Epsilon | 1 | Epsilon | 0.46 | 0.23 | 0.68 | The Epsilon seam is comprised of dominantly dull coal and shows little evidence of banding. |
| Zeta | 3 | Zeta Upper | 1.03* | 0.58* | 1.54* | The Zeta horizon is heavily banded; with ~30 to 40% of each seam composed of carbonaceous and dark grey mudstone. The coal component is moderately dull. No coal quality has been completed on the Zeta Horizon. |
| | | Zeta | | | | |
| | | Zeta Lower | | | | |
| Eta | 1 | Eta | 2.41 | 1.83 | 2.89 | The Eta seam is comprised of moderately dull coal which brightens toward the base. There are minor stone bands of contained within the seam near the seam margins. |
| Theta | 4 | Theta | 0.97* | 0.45* | 1.79* | The Theta seam is composed of banded, moderately dull coal. |
| | | Theta Split A | | | | |
| | | Theta Split B | | | | |
| | | Theta Split C | | | | |

| Seam Horizon | No. of Seams | Seams | Average Thickness | Minimum Thickness | Maximum Thickness | Lithology Description |
|---|---|---|---|---|---|---|
| Iota | 4 | Iota | 4.38* | 3.29* | 11.02* | The Iota horizon is the most laterally extensive horizon in the Cullin-La-Ringo region and thus constitutes the major resource seam. The Iota seam is virtually free of stone bands beyond a few thin carbonaceous mudstone partings and consists of relatively bright coal. |
| | | Upper Iota Basal Split | | | | |
| | | Iota Basal Split | | | | |
| | | Lower Iota Basal Split | | | | |
| Kappa | 6 | Upper Kappa Rider | 0.42* | 0.24* | 0.97* | The Kappa rider and basal split seams typically consist of dull poor quality coal, with numerous bands of carbonaceous mudstone, tuffaceous mudstone and dark grey silty mudstone. No coal quality has been completed on these seams. The Kappa seam is highly variable, with between 15 and 45% of the seam composed of bands of carbonaceous mudstone, dark grey mudstone, siderite and tuffaceous mudstone. This observed banding is most prominent at the basal sections of the seam. The coal is moderately dull. |
| | | Kappa Rider | | | | |
| | | Lower Kappa Rider | | | | |
| | | Kappa | 2.84 | 1.03 | 5.64 | |
| | | Upper Kappa Basal Split | 0.42* | 0.24* | 0.97* | |
| | | Lower Kappa Basal Split | | | | |
| Lambda | 3 | Upper Lambda Rider | 0.69* | 0.4* | 1.61* | The Lambda seams are of poor quality, with <40% carbonaceous mudstone. The dull is moderately dull but tends to be slightly brighter toward the top. No coal quality samples have been analysed for this seam. |
| | | Lambda | | | | |
| | | Lower Lambda Rider | | | | |
| Mu | 4 | Mu Rider Seam | 0.64 | - | - | The Mu rider seam is comprised of moderately dull coal with little or no banding. No coal analysis has been completed on this seam. The upper and lower mu basal seams splits are much poorer quality, with a dominant carbonaceous mudstone lithology (DÁrcy, 1989). The Mu seam is dominantly dull in coal, which brightens slightly down seam. Stone bands are few and restricted mostly to thin carbonaceous or tuffaceous mudstone partings. |
| | | Mu | - | 0.75 | 3.6 | |
| | | Upper Mu Basal | - | 0.35 | 0.9 | |
| | | Lower Mu Basal | | | | |
| Nu | 3 | Nu Upper | 1.23 | | | The Nu upper seam is comprised of 75% bright/ medium coal and 25% dark grey mudstone, carbonaceous mudstone and |
| | | Nu | 2.18 | 1.31 | 2.67 | |

| Seam Horizon | No. of Seams | Seams | Average Thickness | Minimum Thickness | Maximum Thickness | Lithology Description |
|---|---|---|---|---|---|---|
| | | Nu Lower | 1.23 | | | medium grained sandstone. There is no coal quality data for this seam. The Nu lower seam is composed of dominantly dull coal with only a single parting of dark grey-brown mudstone toward the base. There is no coal quality data for this seam. The Nu seam is composed of moderately dull coal which brightens slightly toward the base with a few interbands of carbonaceous mudstone. These stone bands seldom exceed 10% of the total seam thickness. |
| Xi | 1 | Xi | 0.84 | 0.45 | 1.34 | The Xi Seam is composed of moderately dull coal which brightens slightly toward the base. Stone bands are most commonly carbonaceous mudstone or dark grey mudstone and seldom make up more than 15% of the unit. |
| Omicron | 2 | Omicron Rider | 0.88 | 0.21 | 1.94 | The Omicron seam composition is dominantly dull to moderately dull coal with no discernable increase in brightness up or down the seam. Bands of carbonaceous mudstone, tuffaceous mudstone or sandstone, dark grey mudstone or siderite are common, and contribute up to 30% of total seam thickness. These bands are much more common towards the base of the seam |
| | | Omicron | 4.63 | 3.06 | 6.23 | |
| Pi | 2 | Pi | 3.61 | 3.01 | 3.97 | The Pi seam is composed of moderately dull coal with only a few bands of carbonaceous mudstone, siltstone and sandstone in the top proportion of the sequence but degrades to interbanded carbonaceous and tuffaceous mudstones at the base. The Pi basal split is uniformly poor quality and is composed dominantly interbanded carbonaceous mudstone and tuffaceous sediments. |
| | | Pi basal Split | 1.23 | 0.5 | 2.42 | |
| Rho | 3 | Rho | 2.16 | 1.41 | 3.21 | The Rho horizons are dominated by carbonaceous mudstone interbanded with tuffaceous sediments with a few inferior coal bands. None of the seams in the rho horizon have been analysed for coal quality. |
| | | Upper Rho Basal Split | | | | |
| | | Lower Rho Basal Split | | | | |

In the Jeffries Creek area, shallowest coal at the western margins of the lease area is likely to occur at depths of around 100m, which includes as much as 80-90m of basalt.

The average cumulative thickness of all coals seams present is estimated to be about 39m which includes >10m average thickness contained within just the 3 most important seams – Iota, Kappa and Omicron.

## 7.5 Coal Quality

Raw and washed (F1.6) coal quality data is available from past DME/GSQ drilling, and consistently demonstrate the majority of the Reids Dome Bed coal seams are composed of low rank, low to moderate ash, low sulphur and high energy, high volatile bituminous coal.

Average raw coal ash content is around 18% and beneficiation at a separation density of SG 1.6 can effectively reduce ash to attractive levels of <10% without sacrificing more than about 10% of projected product yield.

Volatile matter content of washed coal (F1.6) is typically around 30-31% on an air dried basis (adb), and sulphur content is usually in the range 0.3-0.4% adb.

Ash fusion temperatures are moderate-high, with initial deformation temperatures (reducing atmosphere) generally exceeding $1260^0$ C.

The coal is a high quality thermal coal, but does not have any recognised coking potential. Swelling properties (CSN) are usually <2.

The coals tend to have higher than average phosphorus and nitrogen content, both of which are undesirable characteristics for coking and thermal coals respectively.

The coals are relatively low in rank, with vitrinite reflectance rarely exceeding 0.85 $R_o$ max. Uppermost seams are brighter and contain the highest percentage of vitrinite but are lower in rank at about 0.65-0.70 $R_o$ (max) considered too low to have coking potential. Lower seams have slightly higher rank – up to about 0.9 $R_o$ (max), but the lower seams are duller, contain a higher percentage of non-reactive macerals, and are higher in ash content.

The most likely utilisation option for Reids Dome Bed coal is as a thermal coal for steam raising, but there is potential to produce a low ash, semi-soft coking coal fraction from the eastern, deeper parts of the project area.

## 7.6 Coal Resources and Potential

The area is known to host significant coal in multiple seams of the Reids Dome Beds, and forms part of the previously identified Cullin-la-ringo coal resource.

The area is covered by relatively thick Tertiary volcanics and Cainozoic unconsolidated sediments and alluvium.

Seventeen coal seam intervals are identified in the immediate area, with as many as 49 individual coal plies. Many are thin and variable, and may not be viable mining options. Across the licence area, there

are about 10 seams which probably maintain an average thickness exceeding 1m, and which cumulatively contain 20-40m of potentially mineable coal.

Average cumulative thickness for these 10 most significant seams is around 29m.

Potentially important target seams include the Iota, Kappa and Omicron seams which cumulatively have an average thickness of around 11m (minimum 7.4m; maximum 22m).

Currently, there is just a single (DE 233) partially cored, geophysically logged drill hole within the lease area for which there is also coal quality data available, but there is an adequate distribution of surrounding drill holes with reliable data on which to make assumptions and estimates for the contained resource potential for the tenement area.

Considerably more drilling and technical analysis is required to accurately model the geology, coal seams, coal quality, and structure of the area, and to be able to distinguish and quantify resources suited to future mining, however the area is considered to have excellent potential for very large resources of high quality thermal coal.

Figure 7.1: Location, EPC 1954 'Jeffries Creek' and EPCA 2618 'Gindie'

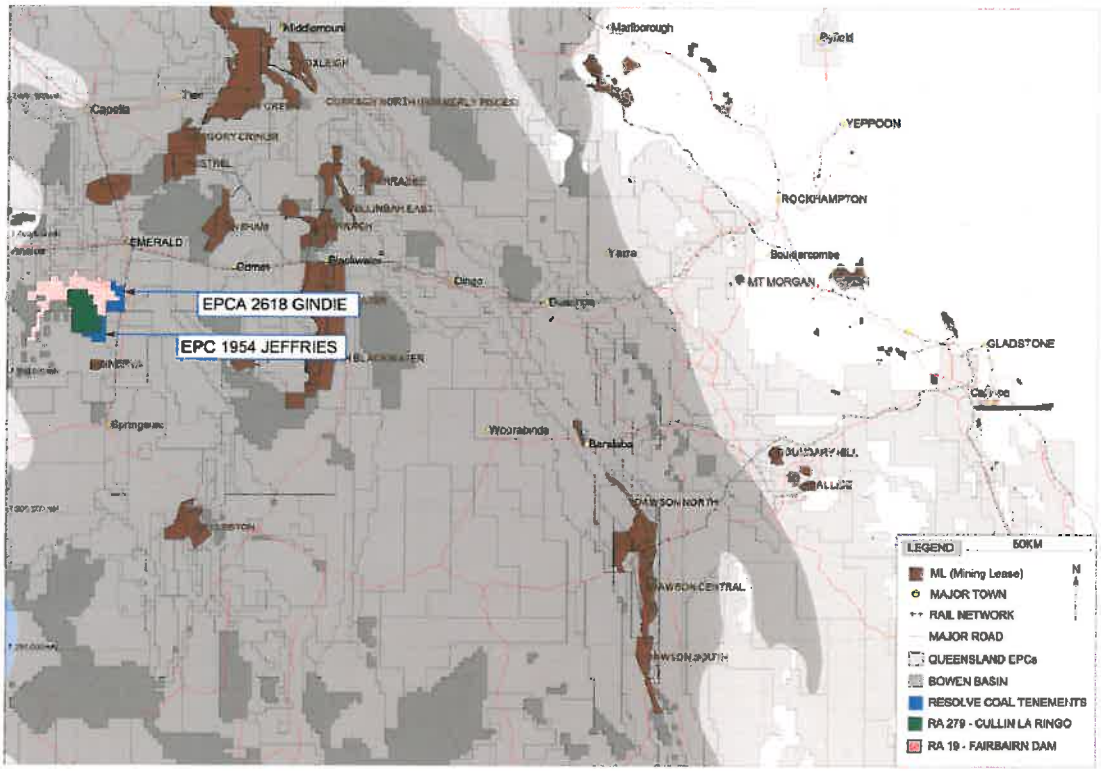



Figure 7.2: Generalised stratigraphy, EPC 1954 Jeffries Creek

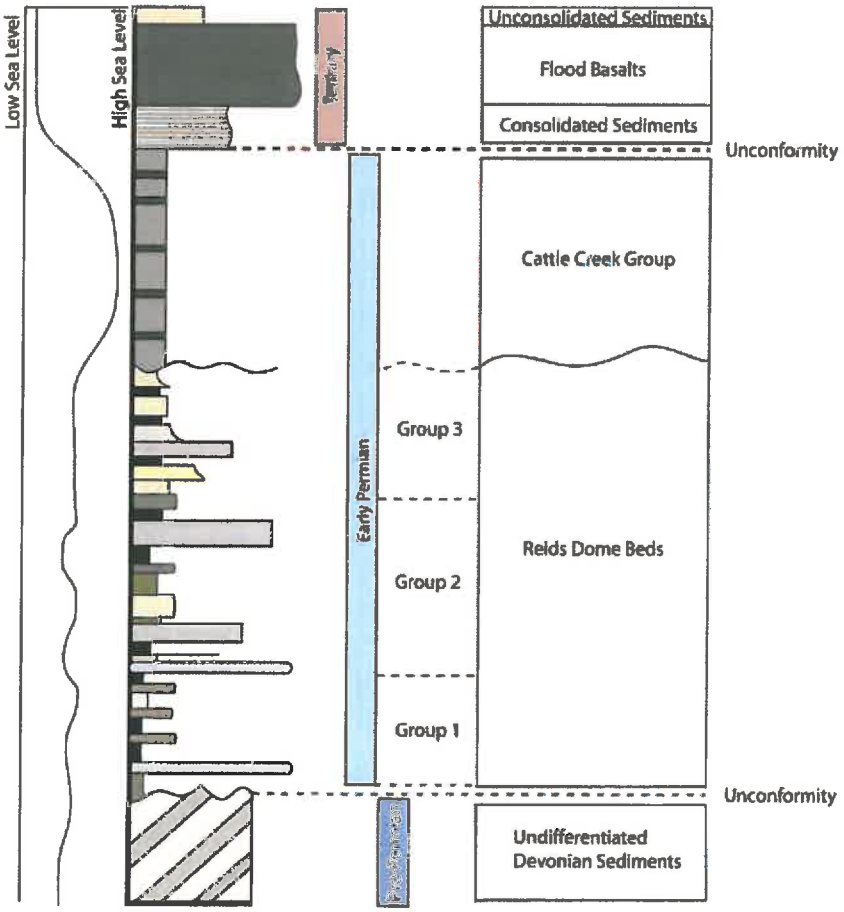


Figure 7.3: Simplified structural interpretation of the Jeffries Creek area

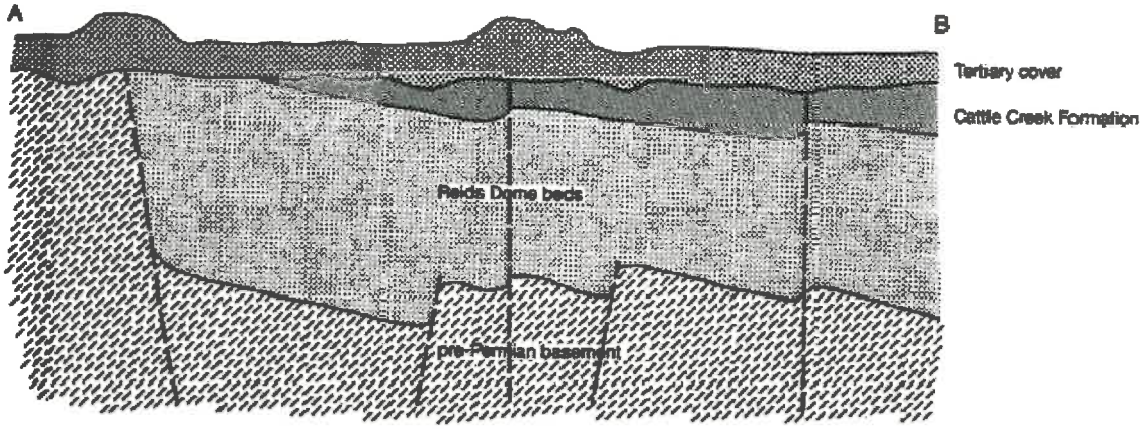
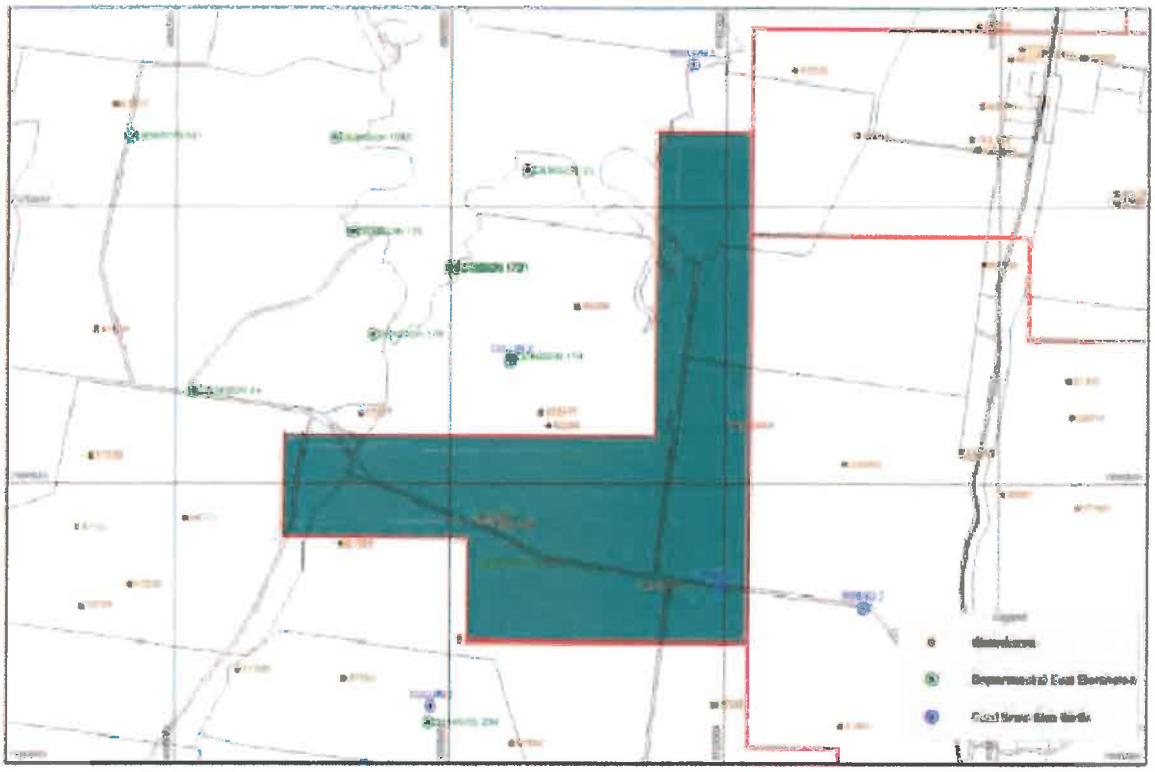



Figure 7.4: Jeffries Creek drill hole location map



# 8 EPCA 2618 Gindie

## 8.1 Location and Tenure

The Gindie tenement EPCA 2618 was recently applied for by Resolve in June 2011 and remains as an 'application'.

It covers an area of 15 sub-blocks (approximately 47.2km$^{2)}$ (Table 8.1).

Table 8.1: Tenure, EPCA 2618 Gindie

| Tenure Type | Tenure Number | Status | Date Lodged | Date Granted | Date Expires | Principal Holder | Number of Sub-blocks |
|---|---|---|---|---|---|---|---|
| EPC | 2618 | APPLICATION | 21-JUN-2011 | | | RESOLVE COAL PTY LTD | 15 |

The tenement is located immediately to the northeast of Resolve's Jeffries Creek area, separated by just 1 sub-block, and is adjacent to Lake Maraboon and centred 20km south of the town of Emerald in central Queensland (Figure 8.1).

Access to the license area is via Seima Road from the Gregory Highway linking Emerald to Springsure, and thereafter by a few public roads and private farm tracks.

The Emerald-Springsure rail line parallels the Gregory Highway immediately adjacent to the eastern boundary of the application area and is currently used to transport coal from the Minerva Mine, located 25km to the south, to the export terminal at Dalrymple Bay.

Restricted Area RA 197 borders the area to the west and south.

Topographically, the area is subdued, comprising gently undulating plains incised by shallow perennial stream valleys with a few low rises and hillocks of rubbly basalt outcrop.

Existing land-use in the application area is primarily cattle breeding and fattening. The area is also now identified as a 'strategic cropping protection area' under the Queensland Government's recent 'strategic cropping' land-use policy, with potential implications in relation to any proposed mining development.

The area was previously a part of and directly adjoins Restricted Area RA 279, the Cullin-la-ringo coal resource area #2, reported as having a coal resource inventory of the order of 1Bt (D'Arcy, 1989).

## 8.2 Regional and Local Geological Setting

The Gindie area is immediately to the northeast of Resolve's Jeffries Creek area, with just 1.8kms separating the southwest corner of Gindie, from the northeast corner of the Jeffries Creek tenement.

The Gindie and Jeffries Creek areas are both targeting the coal seams of the Reid's Dome Beds, within the Denison Trough of the Bowen Basin.

The regional and local geological setting described above in relation to Jeffries Creek applies equally to the Gindie area, and is not repeated.

The major difference is that the principal coal seams identified in the Cullin-la-ringo deposit are deeper at Gindie, which is entirely an underground mine prospect.

The detailed local geology and structure of the area remains uncertain, but the area is probably contained within a down-faulted graben, one of a number of parallel structures within this part of the Denison Trough (Figure 8.2).

## 8.3 Exploration History

Previously a Restricted Area, there is no known prior coal exploration in the immediate area apart from the Departmental drilling of the 1970's – 1980's which outlined the Cullin-la-ringo deposit. Over 3 stages of drilling, the DME completed 20 holes in the area, concentrated just to the southwest of Resolve's Gindie application area (Figure 8.2).

As reported above in Section 7 (Jeffries Creek), the DME drilling identified 17 coal seams and a very large inferred coal inventory in the Cullin-la-ringo, Gindie Creek and Minerva areas and was a catalyst for later exploration which resulted in development of the Minerva mine.

The geology and resource potential of the area is based mainly on the results of this Departmental drilling, together with some early 2D seismic completed by Total Exploration Australia in 1982. The DME drilling has been previously discussed in relation to the Jeffries Creek area.

There are water bores in the area but these don't penetrate as far as the coal measures, or contribute to knowledge of the geology or coal resource endowment.

Water bores provide useful data on the thickness of Tertiary basalt cover which in the Jeffries Creek area thickens to the west where the coal is shallower.

The Gindie prospect is beyond depths amenable to surface mining, and thickness of basalt cover has less significance, apart from its potential as an overlying aquifer.

## 8.4 Coal Seams

The Reid's Dome Beds sub-crop to the west and should be present at depth beneath the Gindie area. The same stratigraphic interval and coal seams as occur at Cullin-la-ringo and Jeffries Creek should underlie the entire tenement area.

Seventeen coal seams and as many as 49 discrete coal plies have been identified within the Cullin-la-ringo deposit area, including a number of significant coal seams which attain considerable thickness and potentially amenable to future underground mining.

The seams of most commercial interest are the Iota, Kappa and Omicron seams, which are thicker, and/or cleaner and/or more laterally pervasive across the Cullin-la-ringo deposit area, at Jeffries Creek and likely to be so also in the Gindie area.

At Jeffries Creek, the average cumulative thickness of all coals seams present is estimated to be about 39m which includes >10m average thickness contained within just the 3 most important seams – Iota, Kappa and Omicron.

Based on nearby seismic lines and regional geological modelling and interpretation, the depth to the first main coal seam reflector within the Reid's Dome Beds in the northern half of the Gindie application area is estimated to be about 750m (Figures 8.3 and 8.3).

The coal seams are expected to be slightly shallower in the southern half of the application area, in the range of 450m to 650m.

## 8.5 Coal Quality

Coal quality can be expected to be similar to that described above for the Jeffries Creek area.

Reid's Dome Beds coal seams are capable of producing high quality, low sulphur and high energy, high volatile bituminous thermal coal, with potential for a PCI or semi-soft coking fraction with increasing depth, and increasing rank.

The most likely utilisation option for Reids Dome Bed coal is as a thermal coal for steam raising, however the greater depth of burial at Gindie and the potential for slighter higher rank coal may provide opportunity for a greater proportion of PCI or semi-soft coking product coal.

## 8.6 Coal Resources and Potential

The Gindie area can be reasonably inferred to host significant coal in multiple seams of the Reids Dome Beds, and is immediately adjacent to the previously identified Cullin-la-ringo coal resource.

Seventeen coal seams and as many as 49 individual coal plies occur in the Cullin-la-ringo area cumulatively containing 20-40m of potentially mineable coal.

Average cumulative thickness for the 10 most significant seams is around 29m, and the seams of greatest underground mining potential being the Iota, Kappa and Omicron seams cumulatively have an average thickness of around 11m (min 7.4m; max 22m).

There is no drilling within the application area, and considerably more exploration and technical analysis is required to accurately model the geology, coal seams, coal quality, and structure of the area, and to be able to distinguish and quantify resources suited to future mining, however the area is considered to have high potential to contain large resources of quality thermal coal, with the added potential for a component of product PCI and semi-soft coking coal.

Figure 8.1 Geological and structural setting, and location of adjacent drill holes, Gindie area

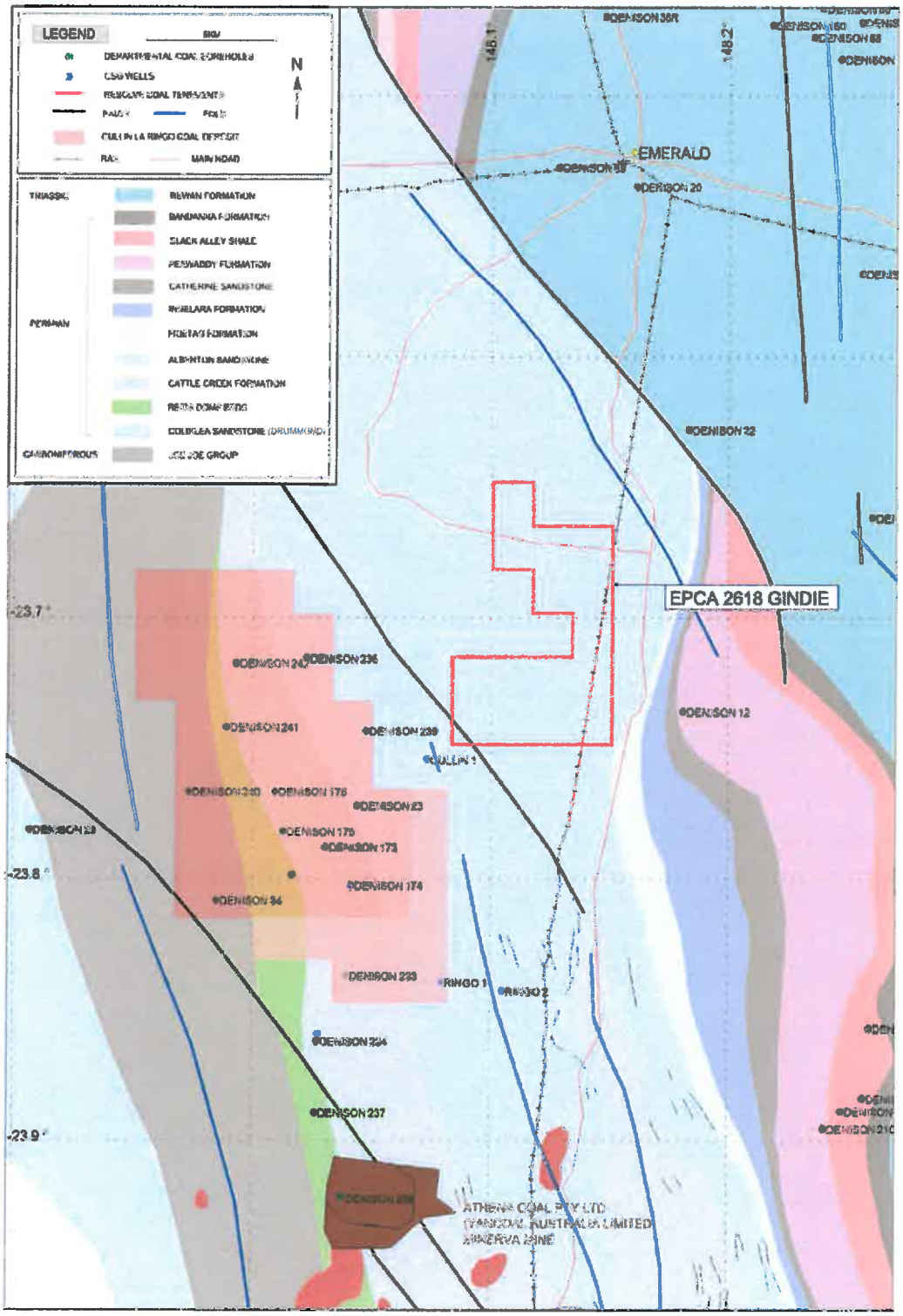


Figure 8.2 Gindie area, location of seismic lines

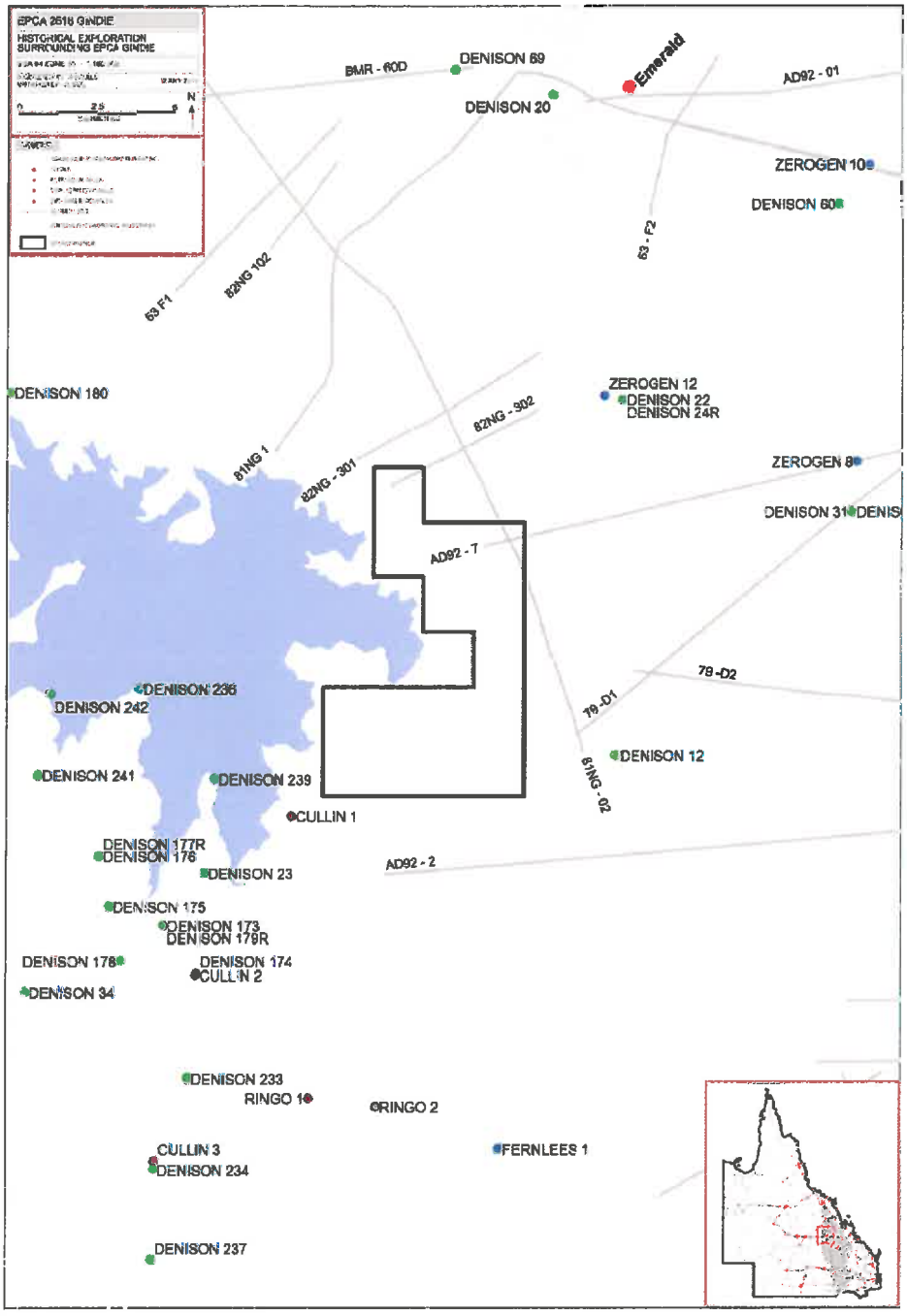


Figure 8.3 Gindie, Line 82NG-301 seismic profile

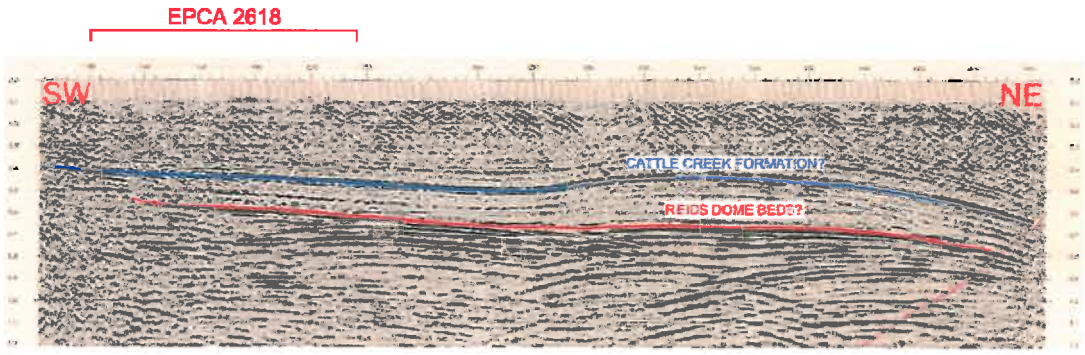
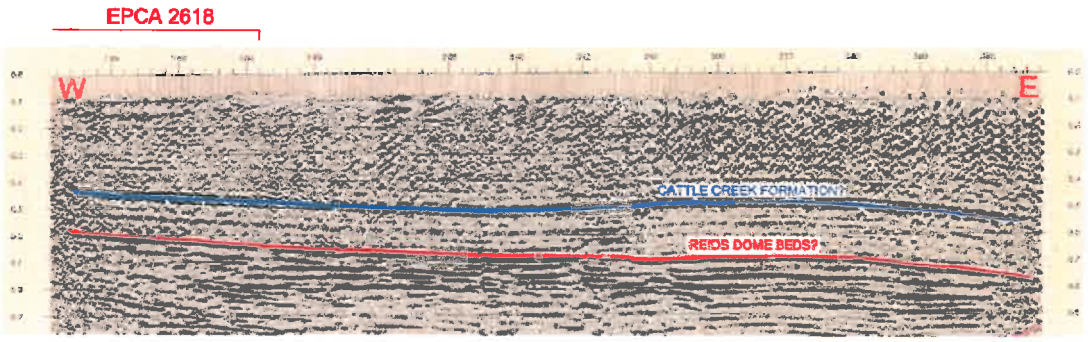



Figure 8.4 Gindie, Line 82NG-302 seismic profile



# 9 CLA 417875 Mt Spieker and CLA 417876 Mt Spieker North

## 9.1 Introduction

In addition to its portfolio of coal exploration tenements in Queensland (Australia), Resolve also has four coal licence application areas (CLA's) located in the Peace River Coalfield of British Columbia, Canada.

All four areas were originally applied for by Resolve Geo Pty Ltd, but were later cancelled and replaced by new applications in the name of Resolve Coal Pty Ltd, a wholly owned subsidiary company of Resolve Geo Pty Ltd.

The areas are called Adams (417873) and Adams North (417874), and Mt Spieker (417875) and Mt Spieker North (417876), (Table 9.1).

Table 9.1: Tenure details

| Tenure Number | Name | Owner | | Map Number | Status | Area ($km^2$) |
|---|---|---|---|---|---|---|
| 417873 | Adams | Resolve Coal | 100% | 093O098 | Good Standing | 14.4 |
| 417874 | Adams Nth | Resolve Coal | 100% | 093O098 | Good Standing | 2.88 |
| 417875 | Mt Spieker | Resolve Coal | 100% | 093P013 | Good Standing | 13.27 |
| 417876 | Mt Spieker Nth | Resolve Coal | 100% | 093P013 | Good Standing | 4.42 |

The Adams and Adams North areas lie at the northern extremity of the Peace River Coalfield, and are adjoining and contiguous with each other. These 2 areas are described jointly in this report.

The Mt Spieker and Mt Spieker North areas lie about 140km to the southeast of the Adams' licence areas in the centre of the Peace River Coalfield. Although not adjoining, these 2 areas lie within about 2km of each other, and are also described jointly in this report.

The location of the areas relative to each other and to existing/former coal mines and coal deposits is shown in Figure 9.1.

## 9.2 Location and Tenure Details, Mt Spieker and Mt Spieker North Areas

Through its wholly owned subsidiary Resolve Coal Pty Ltd, Resolve holds 100% of the licence applications CLA 417875 and CLA 417876 located in the Peace River Coalfield of British Columbia approximately 700km east of the coal export port at Prince Rupert (Figure 9.1).

Mt Spieker and Mt Spieker North together comprise 24 sub-blocks totalling 17.69km$^2$ within the central section of the Peace River coalfield.

The Peace River Coalfield is an established coal basin, with a number of active mines and supporting infrastructure, including a heavy-haul coal railway and reasonable access from the existing road network.

## 9.3 Topography and Climate

The Mt Spieker coal licences are located within the inner foothills of the Canadian Rocky Mountains in north-eastern British Columbia.

The local topography is defined by a series of northwest to southeast ridges, dominated by Mt Spieker (1,935m) ~3km to the east of the Mt Spieker North tenement. Higher elevations are typified by alpine vegetation including juniper, dwarf pine and grassy meadows. The lower elevations are generally densely forested with spruce and pine.

The region has a continental highland climate featuring short mild summers, and long cold winters. Average July and January temperatures for the town of Tumbler Ridge located 30km to the east are reported to be +15.3°C and –10.7°C, respectively. Tumbler Ridge averages 318 mm of rain and 1.69m of snow per year, and snow pack persists from October to June. Tumbler Ridge is located on a ridge of Mt Bergeron overlooking the confluence of the Murray and Wolverine Rivers approximately 830m above sea level. Elevations in the Mt Spieker licences varies from ca. 1,000m to 1,450m above sea level, and may experience lower daily temperatures and higher snowfall.

## 9.4 Geological Setting

The Peace River Coalfield extends 400km from the Kakwa River to the Sikanni River in north-eastern British Columbia. The coalfield contains a number of coal-bearing units that dip generally to the east into the Western Canadian Sedimentary Basin including the prospective Lower Cretaceous Gething and Gates Formations. The Gething and Gates Formations are separated by the non-prospective Moosebar Formation.

To date, 2 major mines have been developed on coal seams contained within the Gates Formation, the Quintette mine some 30km to the southeast of the Resolve Mt Spieker licences, and the Bullmoose Mine, located just to the west of the northern part of the Mt Spieker licence.

The Gates Formation is probably only present underlying a small area in the northeast of the Mt Spieker licence, being mostly underlain by the Moosebar and Gething Formations. Of these only the Gething Formation is of potential economic interest.

## 9.5 Structure

The Mt Spieker coal licences lie within the inner foothills structural belt of the Rocky Mountains, an area of significant compressional deformation including complex folding and associated thrust faulting originating between the Late Cretaceous and Early Palaeocene periods (80-55 Ma) after the deposition of the Gething and Gates Formations.

The structure of the Mt Spieker region is characterised by a series of relatively closely-spaced northwest-trending synclines and anticlines, but which may be asymmetric and locally tightly compressed usually related to thrust faulting. Folding appears to be more open in the overlying Gates Formation, than in the Gething and underlying Cadomin Formations (Legun 2006).

The local geology of the Mt Spieker licence area is not well-defined, with only parts of the area geologically mapped in any detail. The northeast is dominated by a series of relatively closely-spaced anticlines and synclines, with moderate to steep dips typically in the range of 20-30$^{0}$ and locally exceeding 60$^{0}$.

The South Fork/Bullmoose mine area immediately to the west is hosted within a more gentle open synclinal structure, the axis of which should extend through the central and southeast parts of the Mt Spieker licence area, however the prospective Gates Formation is not recorded in this area and has probably been removed by a combination of pitching and plunging fold axes, and by erosion.

The Mt Spieker North area also coincides with a number of pitching fold structures, some of which are more open, but with dips of strata still varying up to 35$^{0}$. The area is truncated in the east by the Bullmoose Thrust zone, a major regional structure of multiple thrust faulting. Based on available regional and detailed geological mapping data, only the Gething Formation is present in this area.

## 9.6 Stratigraphy

The regional stratigraphy is dominated by the Lower Cretaceous Fort St John and Bullhead Groups (Figure 9.2).

A significant proportion of the Mt Spieker coal licences are underlain by the barren Moosebar Formation, and by the underlying Gething Formation which consists of interbedded mudstones, coals, siltstones, sandstones and occasional conglomerates, with a total thickness of ca. ~200 m.

Discrete rock units within the Gething Formation are typically thin and repetitive, a feature that characterises this formation.

The Moosebar Formation directly overlies the Gething Formation and consists of a sequence of dark grey to black friable shales but is not coal-bearing.

The Gates Formation regionally achieves 200-230m in thickness but is mostly absent in the Mt Spieker licence areas, restricted to a very small area in the extreme northeast of the Mt Spieker licence, CLA 417875.

## 9.7 Historical Exploration

Most historical exploration drilling in the Mt Spieker region occurred between the early 1970's and early 1980's, but very little activity has been undertaken within the boundaries of the current Resolve licence areas.

The original coal licences in the area date from the early 1970's, issued to Brameda Resources Limited and which were part of a parcel of licences which ultimately became Teck Corporations' Bullmoose mine. Bullmoose operated from 1983 until about mid-2003, producing about 35Mt of high quality metallurgical coal for export.

The East Bullmoose area was later named Mt Spieker to avoid confusion, and was explored first by Nichimen in the mid-1970 and later by Ranger Oil up until about 1982.

The areas lapsed during 1995-1998, when Western Canadian Coal Corporation obtained licences over the EB deposit, located 4km to the east of Resolve's Mt Spieker area.

The central section of the old Mt Spieker area was later obtained by Dehua International, and in 2011 the remaining western and northern parts of the original area was applied for by Resolve, and cover a portion of the old 'west Bird' deposit (named after the Bird coal seam).

Numerous boreholes have been drilled in adjoining licences, notably the Bullmoose South and West Fork deposit areas located to the west, and in the EB deposit area to the east but there are only 3 existing drill holes within the current Resolve Mt Spieker licence, and no known coal exploration drill holes within the Mt Spieker North area (Figure 9.3).

Three holes, T2, T7 and T9 were drilled by Teck located 2.5-3km west of the Mt Spieker North area, targeting the Bird Seam within the Gething Formation. Regionally, the Bird seam was recognised from earliest exploration as having good metallurgical coal properties, and more lateral continuity and consistency than other seams within the Gething Formation in this area (e.g. Chamberlain seam, Skeeter seam), although notably also with some pockets of higher sulphur content coal.

Hole T2 was spudded on an outcrop of the Bird seam, 1.8m in thickness but partially reduced by erosion; in hole T9 to the south the seam was somewhat thinner and split into 2 sections, the upper part being 2.07m in thickness at a depth of 27-29m, and separated by 0.3m of stone from a lower coal ply of 0.24m. In hole T7 further to the south again the Bird seam was 2.81m thick occurring at a depth of 28-30m.

In all these holes, the Skeeter and Chamberlain seams are mostly thin and sub-economic.

As in the Bullmoose area to the west, the EB deposit located to the east is based on coal seams occurring within the Gates Formation more so than the underlying Gething Formation.

Hole EB-2 located about 600m to the east of the Mt Spieker area intersected a number of coal seams in the Gates Formation between 1.1m and 2.29m in thickness and terminated at a depth of 200.56m without penetrating the underlying Gething Formation.

Hole EB-3 is located just inside the eastern boundary of Resolve's Mt Spieker licence application and intersected the 'Bird Lower' seam of 2.87m thickness, at between 117-120m (approximately). The hole is located on the east limb of a relatively tightly folded anticline, and it is uncertain whether this

thickness might be exaggerated by the structural setting, or whether it has been corrected to 'true thickness'.

In 1977, Mitsui (on behalf of Nichimen) drilled holes EB-10 and EB-11 located approximately 1km southeast of the Mt Spieker North area and both intersected 3 plies of the Bird Seam (Bird Upper; Bird Lower A, and Bird Lower B), with cumulative coal thicknesses between about 3-4m spread over intervals of between 14-18m, and at depths from around 40-160m.

Between the 2 Resolve licence areas, Ranger Oil drilled a number of holes targeting the seams of the Gates Formation around the northern closure of the main Mt Spieker syncline (MS-28 to MS-33). Logs of these holes are not available, but Resolve reported that it appears all the holes intersected some coal, including the more substantial B seam which reportedly attains 4.5m thickness further south in the main syncline towards the EB deposit area. The Gates Formation outcrops along a strike length of about 1-1.2km in the northeast of the Mt Spieker area, and although the sub-crop zone is relatively narrow and hence dip of strata is inferred to be steeper, the area should be prospective for coal seams within the Gates Formation, and is considered to have potential for small resources of shallow but moderately steeply-dipping high quality coking coal.

As a part of the original Bullmoose exploration, a number of additional holes were drilled by Ranger Oil in 1982 a little to the west and just to the north of and within Resolve's Mt Spieker area, to investigate the Bird Seam within the Gething Formation. MS-44 located inside the northern boundary of CLA 417876 intersected the Upper (1.6m) and Lower Bird seams (0.92m) from 72.69m, with 1.3m separating the 2 coal intervals. MS-43 on the northern boundary of the current licence area intersected the Upper Bird seam of 1.6m thickness at 61.8m depth, but the lower coal ply had deteriorated. Hole MS-45 also recorded only thin and disappointing intersections, although the Bird Seam was better developed further north in hole MS-42 (1.94m Upper; 0.67m Lower), however the 2 coal plies had separated with 3.34m between the upper and lower seam sections.

The northern part of the Mt Spieker licence area can be reasonably assumed to be prospective for thin and split intersections of the Bird Seam, potentially over a strike length of 2-3km around the north of the anticlinal structure that separates the Bullmoose area to the west, from the main Mt Spieker syncline to the east. From reported outcrop mapping and likely dip of strata (typically 10-20$^0$), contained coal resource potential however is small and relatively limited and likely to be in the range of just 2-5Mt and at comparatively high stripping ratios previously calculated as exceeding 16bcm/tonne (BC EMPR Report # 559, Mt Spieker final report, 1982).

## 9.8 Coal Quality

The coal seams of the Gething and Gates Formations in the Peace River district are typically medium volatile bituminous coals (ASTM) with high heat values, low-medium product ash, low sulphur and phosphorus content, usually display good free swelling characteristics and generally regarded as high quality metallurgical coal.

The B seam within the Gates Formation is of most economic significance, being better developed and cleaner with a superior product yield.

In the Bullmoose and South Fork areas immediately to the west, the A to E seams within the Gates Formation display raw, and washed coal quality characteristics as shown in Tables 9.2 and 9.3.

Table 9.2: Proximate analysis, Gates Formation seams A-E (raw coal; air dried basis).

| | Moist. % | Ash % | Vol.M. % | F.C. % | TS % | F.S. I. |
|---|---|---|---|---|---|---|
| A Seam | 1.27 | 10.80 | 23.45 | 64.47 | 0.43 | 6 |
| B Seam | 1.18 | 11.72 | 23.75 | 63.35 | 0.34 | 5.5 |
| C Seam | 1.32 | 31.22 | 19.15 | 48.30 | 0.49 | 4 |
| D Seam | 1.33 | 46.90 | 16.80 | 35.16 | 0.42 | 1.5 |
| E Seam | 1.75 | 18.95 | 24.05 | 55.25 | 0.66 | 7 |

Table 9.3: Gates Formation, Seams A-E washed coal (floats 1.50 gm/cc).

| | Moist. % | Ash % | Vol.M. % | F.C. % | TS % | F.S. I. | Product Yield %* |
|---|---|---|---|---|---|---|---|
| A Seam | 0.65 | 6.77 | 24.10 | 68.47 | 0.39 | 6.5 | 67 |
| B Seam | 0.86 | 7.48 | 24.03 | 67.62 | 0.31 | 5.5 | 83 |
| C Seam | 1.07 | 11.67 | 23.45 | 63.80 | 0.58 | 6 | 44 |
| D Seam | 1.26 | 12.36 | 24.73 | 61.63 | 0.61 | 6 | 36 |
| E Seam | 1.05 | 5.95 | 27.05 | 65.95 | 0.64 | 7.5 | 68 |

Product yield figures based on bulk samples recovered from the South Fork area

Similar coal quality results are available from other adjoining areas and confirm the typical or likely quality of coal, from seams within the Gates Formation which may exist in the extreme northeast of the Mt Spieker area.

Of more relevance however is the likely or expected quality of coal from seams within the underlying Gething Formation, which underlies a significant part of the Mt Spieker and Mt Spieker North areas.

The Bird Seam is the principal seam of potential importance, and based on limited available coal quality data is capable of producing a similar quality of coal to the seams of the Gates Formation.

Analyses of drill hole samples from holes MS-43, MS-44 and MS-45 within or near the northern boundary of Resolve's Mt Spieker area provides similar results, with indicative product coal quality at a separation cut-point of SG 1.5 of 80% yield at 8-10% ash, 21-24% volatile matter, medium sulphur content of between 0.6-0.7%, and CSN of between 6-9. It should be noted however that core recoveries were often poor, to some extent compromising the applicability of individual sample results.

## 9.9 Coal Resource Potential

Both the Gates and Gething Formations in the central Peace River coalfield are known to contain typical high quality Western Canadian medium volatile coking coal.

The structure in the Resolve licence areas is a series of dipping and plunging folds; coal seams are relatively thin, and in combination with moderate seam inclination restricts the depth of commercially viable mining using traditional surface mining methods.

Detailed geological, technical, mining and commercial studies have not yet been conducted and currently there is insufficient data with which to be able to determine 'resources' or 'reserves' as defined by the JORC Code 2004, or to comply with the Canadian guideline N1-43-101.

The Gething Formation is the most widespread, and contains the Bird Seam which probably represents the most prospective exploration target in these Resolve licence areas.

Commercial development in the adjacent South Fork-Bullmoose mine is exploiting seams within the overlying Gates Formation, which also hosts the nearby West Fork (to the north) and EB (to the east) open-cut mine prospects, however the Gates Formation is only present in a very small area in the extreme northeast of the Mt Spieker licence area and is completely absent from the Mt Spieker North area, with correspondingly less resource potential.

The B seam of the Gates Formation in this area has potential to contain a small resource of coal at depths feasible to surface mining applications. Other seams also occur in adjoining areas and if present potentially add to the resource base but no drilling has yet occurred within the bounds of the Mt Spieker North area on which to base any reliable resource estimates.

The underlying Gething Formation occurs over a much larger area within both licence areas, and provides greater overall resource potential for surface and underground-mineable coal.

In the Mt Spieker North area, the Gething Formation underlies an area of approximately 2.2km$^2$ superimposed across a number of relatively open anticline and synclinal fold structures. There is no direct evidence from within the tenement for the occurrence of coal, but nearby drilling encountered the Bird Seam split into 3 discrete plies (Upper; and Lower A, and Lower B) totalling between 3-4m. Elsewhere, the Bird Seams are thinner, however the Mt Spieker North licence area is considered highly prospective for a small-medium coking coal resource at viable mining depths.

In the Mt Spieker licence area the Bird Seam has deteriorated somewhat and is thinner but typically still around 2m in thickness although divided into two plies. The geology of the south-central parts of the licence area is less well defined, but the Gething Formation is known to outcrop over large parts of the tenement, which should be highly prospective for small-medium resources of similar, high quality metallurgical coal.

Considerably more exploration is required to outline the full potential of both areas.

Figure 9.1: Regional Geology, Mt Spieker and Adams' prospects, British Columbia

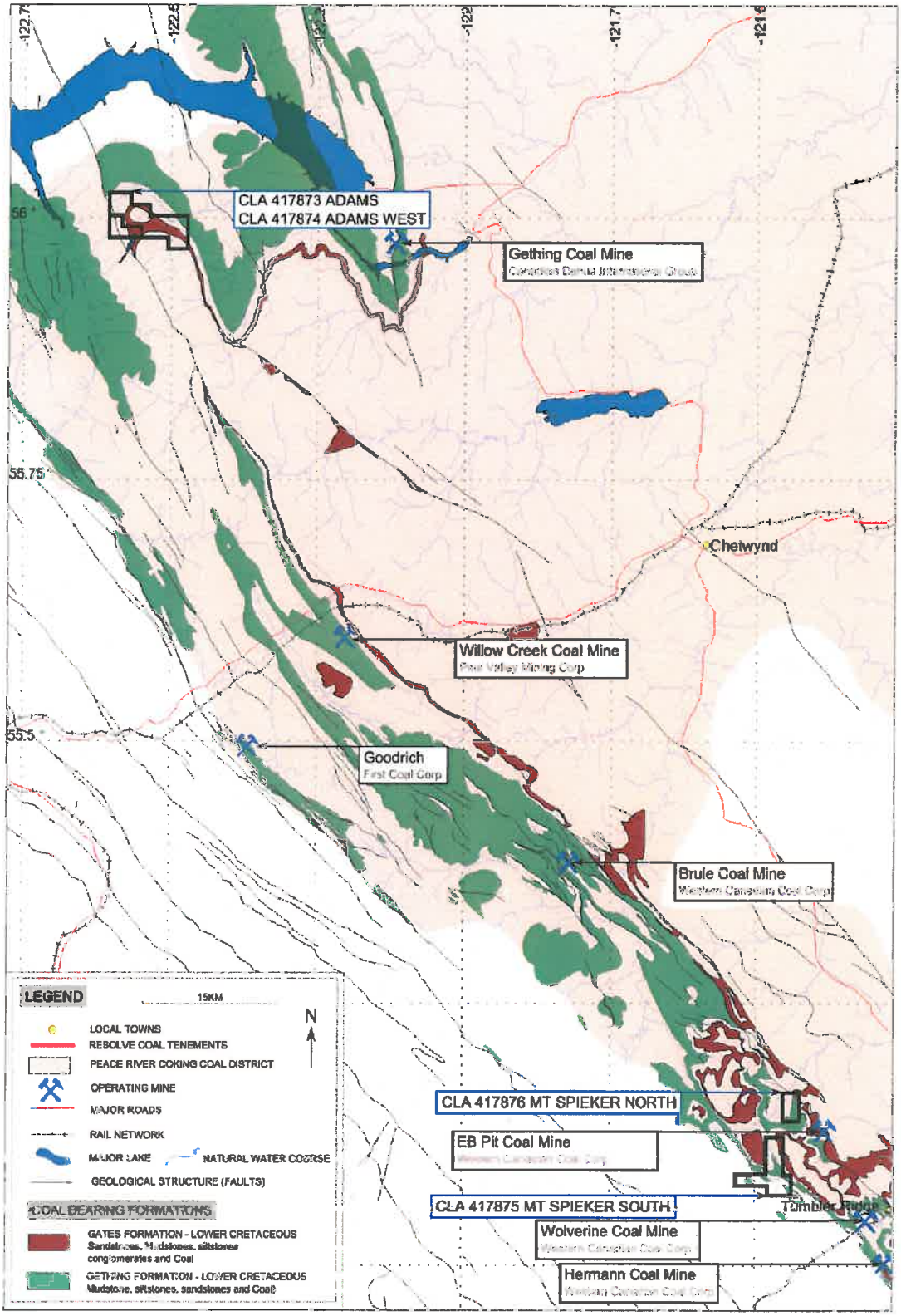


Figure 9.2: Regional stratigraphy, Mt Spieker and Adams' areas, Peace River Coalfield

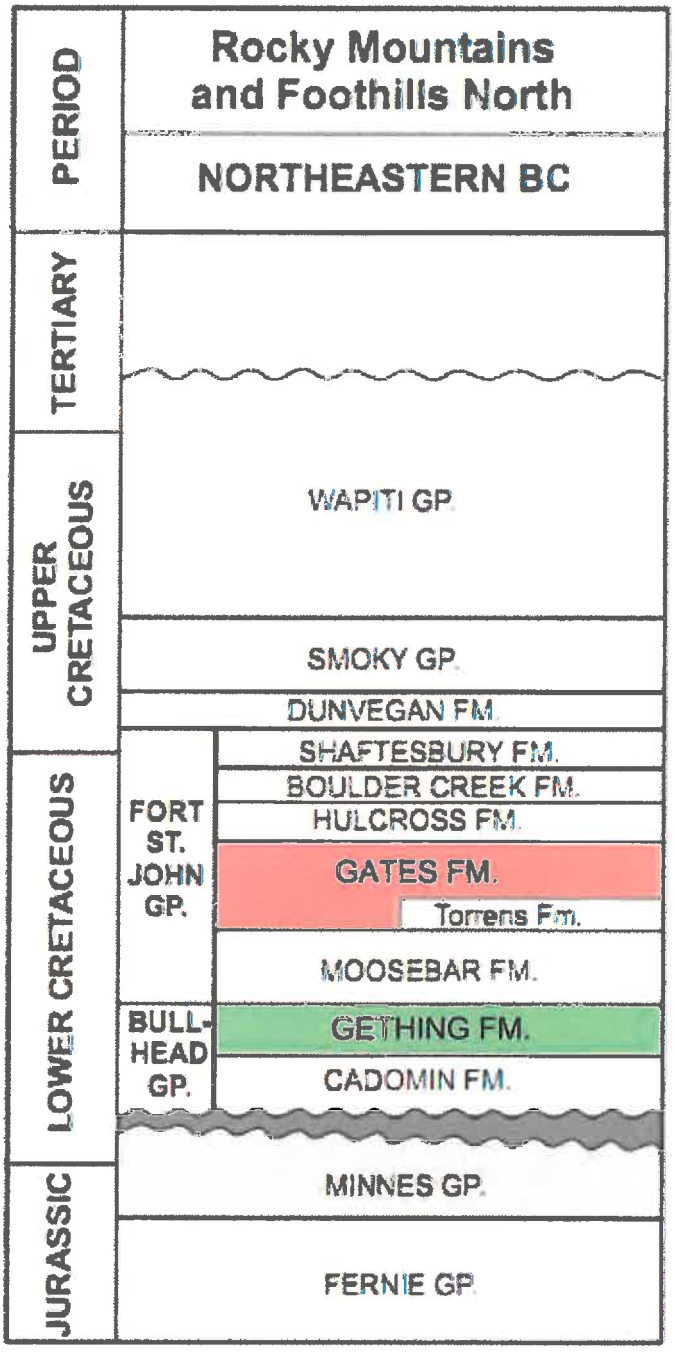
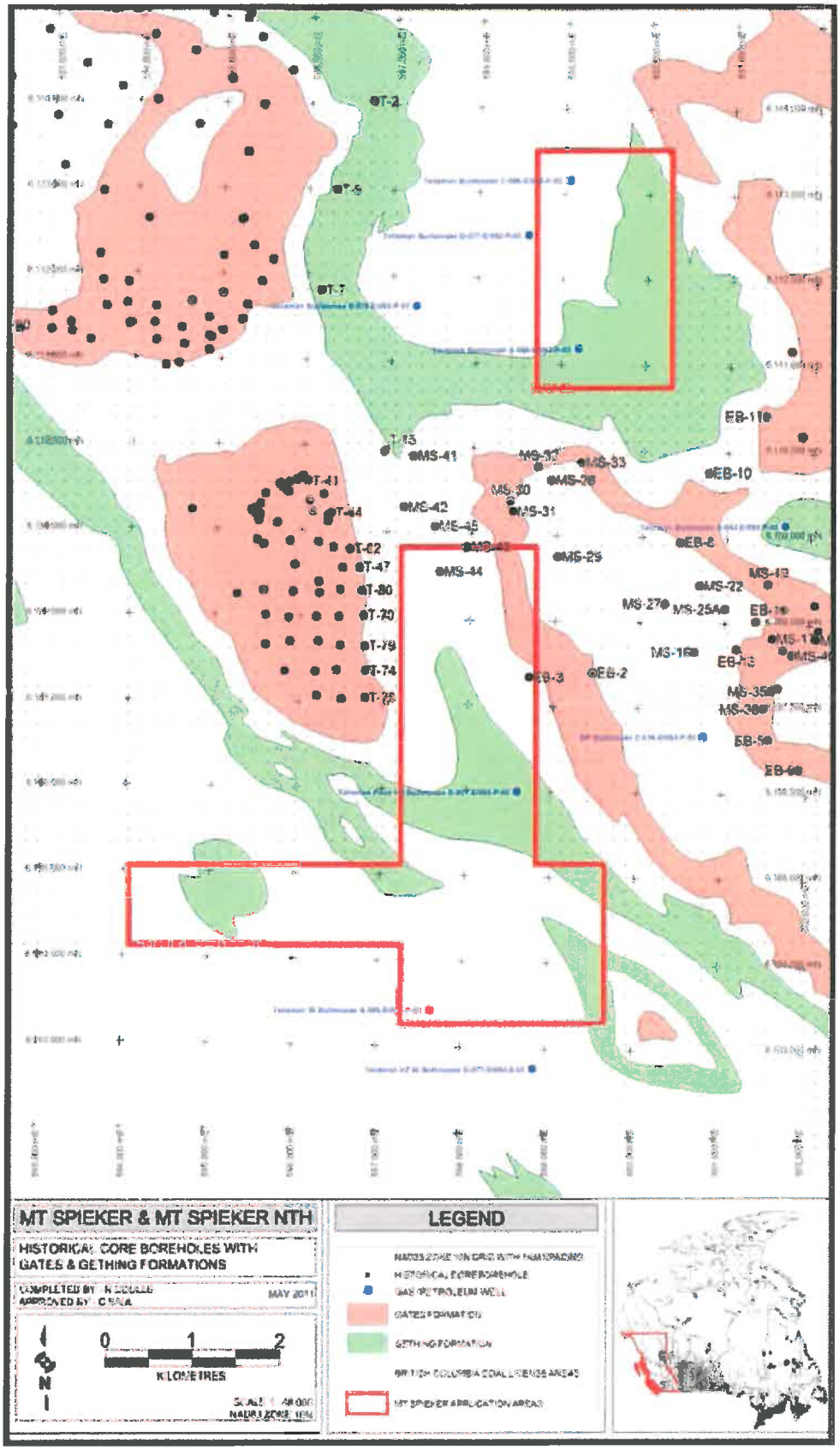


Figure 9.3: Location of drill holes in proximity to Mt Spieker



# 10 CLA 417873 Adams and CLA 417874 Adams West

## 10.1 Introduction

Coal Licence Applications (CLA), CLA 417873 'Adams' and CLA 417874 'Adams West', were lodged in 2011 with the British Columbian (BC) Ministry of Energy and Mines. The CLA's comprise 24 sub-blocks totalling 17.29km$^2$ located at the northern end of the Peace River Coalfield (Figure 1.2).

Tenure details are shown in Table 10.1.

Although adjoining, the 2 applications are discrete as a consequence of BC statutory requirements to apply for no more than 20 sub-blocks per application area.

In this report, where the 2 areas are referred to jointly, they are referred to simply as 'Adams'.

Table 10.1: Tenure, CLA 417873 Adams and CLA 417874 Adams West

| Tenure Type | Tenure Number | Tenure Name | Owner | Status | Mining Division | Area (km$^2$) |
|---|---|---|---|---|---|---|
| Coal Licence Application | 417873 | Adams | Resolve Coal Pty Ltd (100%) | Good Standing | Liard | 14.41 |
| Coal Licence Application | 417874 | Adams West | Resolve Coal Pty Ltd (100%) | Good Standing | Liard | 2.88 |

Resolve Coal Pty Ltd holds a 100% interest in both permit applications.

The Peace River Coalfield lies within the eastern belt of the Rocky Mountain Foothills, and is a mature coking coal basin, with active mines and including 2 major project developments proximal to Resolve's Adams prospect. There is established road infrastructure, and an existing heavy coal rail approximately 42km to the south-east.

Topographic relief in the immediate area is moderate, with a broad valley running through the centre of the tenements. Elevations vary from 830m in the bottom of the valley to approximately 1,300m in the west of the tenements where they overlap the base of Battleship Mountain, the peak of which is located some 2km from the western tenement boundary.

The area has a continental highland climate featuring short, warm summers and long, cold winters. Average July and January temperatures for Chetwynd (nearest town) are reported to be +15.3°C and –11°C, respectively. Chetwynd averages 318mm of rain and 1.70m of snow per year, and snow pack persists from October to June. The Adams tenements lie at higher altitude than Chetwynd so may experience colder daily lows and more snowfall.

Extensive forestry has occurred within and adjacent to the Adams application areas.

## 10.2 Geological Setting

The Peace River Coalfield lies within the northern Inner Foothills Belt of the Canadian Rockies and extends 400km from the Kakwa River to the Sikanni River in north-eastern British Columbia. The

coalfield contains a number of coal-bearing units that dip to the east into the Western Canadian Sedimentary Basin including the commercially important Lower Cretaceous Gething and Gates Formations.

The total coal resource in the Peace River Coalfield to a depth of 2,000m is estimated to be more than 160Bt of medium and low volatile bituminous coal contained principally within the Gates (10 billion tonnes plus) and Gething Formations (120 billion tonnes plus) (Resolve, 2011[1]).

The Gething Formation is of greatest commercial importance in the north of the Peace River Coalfield, the Gates Formation being of more importance in the central and southern parts of the coalfield.

The Adams prospect is centred on outcropping Gates Formation, with the Gething Formation present beneath the Gates and intervening Moosebar Formations.

## 10.3 Stratigraphy

Stratigraphy is described below and summarised in Table 10.2.

### 10.3.1 Gates Formation

The Gates Formation extends westward from The Gates into the Foothills. It can be traced southward from there to Pine River, and southwest to Smoky River, where it is included in the Luscar Group. It ranges in thickness from about 20m east of Hudson Hope to a maximum of 263m at Mount Belcourt.

The formation thickness in the immediate vicinity of Adams is uncertain; however a drill hole just to the southeast of Adams (DDH BC-78-1) intersected 83.08m of section assigned to the Gates Formation (Anderson & Armstrong, 1978).

The formation is likely to be relatively thin in the Adams area. No specific information could be found on the occurrence, distribution, number or thickness of coal seams within the Gates Formation in the vicinity of Adams.

The formation consists of predominantly sandstone but the lithology is more varied south of the Peace River. The basal part is characterised by fine-grained, fairly well-sorted sandstone, but the upper part consists of a cyclic succession of carbonaceous sandstone, mudstone, siltstone, coal and some conglomerate.

### 10.3.2 Moosebar Formation

The unit occurs throughout the foothills of north-eastern British Columbia south of Peace River and extends as a thin tongue south-easterly into the Alberta Foothills. The formation is about 289m thick at its type location close to Adams, but thins to the southeast and is only 43m thick at Mount Torrens.

On Track Creek, 13km to the east of Adams, the Moosebar Formation is 407m thick, and in drill hole DDH BC-78-1 some 5km southeast of Adams, the formation was 490m in thickness, and displayed very shallow bedding dip angles, suggesting this closely approximates a true thickness at that location.

The formation is likely to be in the vicinity of 450m in thickness in Resolve's Adams prospect area.

The Moosebar Formation separates the Gates Formation from the underlying Gething Formation and consists of a sequence of dark grey to black friable marine shales and siltstones. The basal shale is dark grey, rubbly to blocky and commonly concretionary. A thin bed of pebbles and glauconitic mudstone commonly marks the contact with the Gething Formation. The formation becomes markedly siltier towards the top.

### 10.3.3 Gething Formation

The Gething Formation is the most important stratigraphic unit at Adams and in the north of the Peace River Coalfield generally, and is host to the most commercially important coal seams in this region.

The Gething Formation lies beneath the Moosebar Fm and consists of interbedded mudstones, coals, siltstones, sandstones and occasional conglomerates. These units are all relatively thin and it is their frequent repetitions that characterise the Gething Formation. Numerous coal seams are present, but the major coal seams of interest in the Adams area are the Trojan and Titan seams.

The formation increases from about 75m thickness near Smoky River (about 300km east of Adams) to more than 550m in thickness at the Peace River Canyon which is located about 7-8km northeast of Adams (Beavan, 1979).

Further west near Carbon Creek the Gething Formation attains a thickness approaching 1,000m.

In Resolve's Adams prospect area, the Gething Formation can be expected to be in the range of 500-550m in thickness, and hosts at least as many as 13 significant coal seams, including the Titan and Trojan seams which in this region each exceed 5m in average thickness.

Table 10.2: Upper Jurassic - Upper Cretaceous Stratigraphy of the North-East British Columbian Basin

| | | | |
|---|---|---|---|
| Upper Cretaceous | | Dunvegan | Fine- to course-grained sandstone; conglomerate; carbonaceous shale; coal |
| Lower Cretaceous | Fort St. John Group | Cruiser | Dark grey marine shale with sideritic concretions; minor sandstone |
| | | Goodrich | Fine-grained, cross-bedded sandstone; shale; mudstone |
| | | Hasler | Silty dark grey marine shale with sideritic concretions; minor sandstone and pebble conglomerate; siltstone in lower part; basal pebble layer |
| | | Boulder Creek | Fine-grained, well-sorted sandstone; carbonaceous sandstone; massive conglomerate; siltstone; marine and nonmarine mudstone; minor coal |
| | | Hulcross | Dark grey marine shale and siltstone, with sideritic concretions |
| | | Gates | Fine-grained, well-sorted marine and nonmarine sandstones; carbonaceous sandstone and mudstone; coal; shale; minor conglomerate |
| | | Moosebar | Dark grey marine shale with sideritic concretions; siltstone; glauconitic sandstone; chert pebble conglomerate at base (Bluesky Member) |
| | Bullhead Group | Gething | Fine- to coarse-grained, brown, calcareous, carbonaceous sandstone; coal; carbonaceous shale and conglomerate; siltstone |
| | | Cadomin | Massive conglomerate with chert and quartz pebbles; minor coarse-grained sandstone, carbonaceous shale, and coal |
| | Regional Erosional Unconformity | | |
| Jurassic | Minnes | | Quartzose sandstone; fine-grained sandstone; silty shale; mudstone; minor carbonaceous sediments |

After Lawrence and Henschel, 2011

## 10.4 Structure

The Foothills belt of the Rocky Mountains is structurally complex, compressionally deformed during the Laramide Orogeny into a series of elongate plunging anticlines and synclines.

The Adams prospect comprises 2 major fold structures, the Adams syncline in the northwest, and the Gething Creek syncline in the southeast.

The axial portions of both structures have gentle to moderate dips ($10^0$-$20^0$) while the flanks of the folds may dip at up to $60^0$. Both structures plunge gently to the southeast.

In the north-west of the area, immediately east of Carbon Peak and Battleship Mountain, the Carbon Creek Fault thrusts older Triassic and Jurassic rocks from the west over the coal-bearing Cretaceous sediments.

## 10.5 Exploration History

There has been no known exploration drilling conducted within the Adams areas, but there is a history of exploration in the surrounding area, focussed mainly on the coal resource potential of the Gething Formation.

Adjacent drill holes are shown in Figure 10.1.

In 1979, Shell Canada Resources Ltd (BC EMPR Report #456) reported on one hole, D79-2 which is located some 4km to the south of Adams. A total of 19 seams were intersected in the Gething Formation between 15m and 131m depth. Detailed seam intersection data is not available, but the Trojan Seam was encountered from 45.69m to 48.41m, for a total thickness of 2.72m.

Utah Mines Ltd conducted exploration in the vicinity of Adams' in the late 1970's – early 1980's concentrated on the coal resource potential of the Gething Formation immediately to the east of Adams.

Hole SMG-78-1 was drilled 5km southeast of Adams on the boundary of the Moosebar Formation, located to intersect the full Gething Formation interval. 13 coal seams >0.3m thickness were recorded, mostly thin and less than 1m, but one significant seam – probably the Titan seam but unidentified – of around 5.5m was intersected at shallow depth.

Hole SMG-80-11 was drilled 1km further north of SMG-78-1 and intersected the Trojan and Titan seams between 80m and 141m depth, with aggregate coal thickness of >12m. A number of other minor seams were also intersected.

Hole SMG-81-28 was later drilled to the north and just a few hundred meters from the northern boundary of CL 417873. The hole intersected 8 un-named and mostly thinner coal seams within the Gething Formation, the thickest being just over 1m. Aggregate coal thickness was 5.68m over an interval of 69.8m, equivalent to a vertical stripping ratio of between 8-9bcm/ROM tonne.

## 10.6 Coal Quality

The coal seams of the Gething and Gates Formations in the Peace River district are typically medium volatile bituminous coals (ASTM) with high heat values, low-medium product ash, low sulphur and phosphorus content, usually display good free swelling characteristics (FSI, or CSN) and are regarded as high quality metallurgical coal.

There are no drill holes within the Resolve licence areas, however adjacent drill holes intersected multiple seams, at least some or all of which were tested and analysed, and which overall confirm the high quality of the coal seams present.

Individual coal seams do however vary considerably, in physical and chemical characteristics.

Raw coal ash content is mostly low, but may display quite rapid lateral deterioration over short distances.

Many of the coal seams contained in the Gething Formation are relatively thin, and are less attractive as potential mining targets.

Tables 10.3 and 10.4 provide indicative coal quality results from coal seams recovered from drill holes that are relatively proximal to the Adams area.

Table 10.3: Hole D79-2 coal quality data (air dried basis)

| Seam | Sample No. | From (m) | To (m) | Thick (m) | Fraction | Moist % | Ash % | VM % | FC % | CSN |
|---|---|---|---|---|---|---|---|---|---|---|
| Trojan | 3a | 45.69 | 47.63 | 1.94 | Raw | 0.89 | 4.67 | | | 1.5 |
| | | | | | F 1.5 | 1.47 | 2.62 | 22.8 | 73.11 | 1.5 |
| | 3b | 47.63 | 48.41 | 0.78 | Raw | 0.93 | 4.35 | | | 1.5 |
| | | | | | F 1.5 | 1.35 | 2.19 | 22.8 | 73.7 | 1.5 |
| | Comp | 45.69 | 48.41 | 2.72 | Raw | 0.90 | 4.58 | | | 1.5 |
| | | | | | F 1.5 | 1.44 | 2.50 | 22.80 | 73.28 | 1.50 |

Although thinner than normal, the Trojan seam in hole D79-2 is very low ash, medium volatile coal. The low CSN results may be due to partial oxidization arising from the relatively shallow depth.

Table 10.4 provides some additional, indicative raw coal analysis results from selected (>0.6m thickness) coal seams from drill holes which are relatively near to the Adams prospect.

Table 10.4: Indicative raw coal quality results (air dry basis)

| Hole | Sample Num | Depth (top) (m) | Thick (m) | Seam | Moist (%) | Ash (%) | S (%) | VM (%) | FC (%) | MJ/kg | FSI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| SMG-78-1 | 43 | 36.76 | 1.62 | UN | 1.38 | 6.04 | 0.79 | 25.07 | 67.51 | 32.95 | 4.5 |
| | 44 | 40.97 | 5.7 | Titan | 2.06 | 5.59 | 0.56 | 22.46 | 69.89 | 32.68 | 1 |
| | 47 | 102.05 | 1.31 | UN | 1.06 | 14.89 | 1.36 | 24.49 | 59.56 | 29.84 | 7 |
| | 53 | 209.73 | 1.8 | UN | 1.18 | 7.77 | 0.69 | 22.6 | 68.45 | 31.81 | 1 |
| SMG-80-11 | 1 | 38.41 | 1.45 | UN | 1.16 | 24.79 | 1.08 | 28.29 | 45.76 | 25.16 | 7.5 |
| | 2 | 44.85 | 1.17 | UN | 1.41 | 9.91 | 0.98 | 31.86 | 56.82 | 31.15 | 7.5 |
| | 3 | 79.85 | 5.02 | Trojan | 1.15 | 21.63 | 0.48 | 25.38 | 51.84 | 27 | 4 |
| | 4 | 134.85 | 7.03 | Titan | 1.39 | 5.1 | 0.48 | 25.93 | 67.58 | 32.94 | 2 |
| SMG-81-28 | 3 | 29.06 | 0.81 | UN | 1.35 | 11.12 | 0.78 | 29.84 | 57.69 | 31.45 | 7.5 |
| | 4 | 32.00 | 1.07 | UN | 1.23 | 35.75 | 0.48 | 27.73 | 35.29 | 19.72 | 2 |
| | 5 | 34.14 | 1.06 | UN | 2.09 | 29.36 | 0.94 | 20.14 | 48.41 | 23.81 | 7 |
| | 6 | 55.32 | 0.61 | UN | 1.56 | 44.15 | 0.68 | 17.51 | 36.78 | 18.72 | 1.5 |
| | 7 | 62.94 | 0.76 | UN | 1.63 | 17.54 | 0.84 | 25.12 | 55.71 | 28.37 | 8 |
| | 8 | 78.03 | 0.61 | UN | 1.01 | 49.5 | 0.45 | 20.19 | 29.29 | 16.04 | 1 |

Although some raw coal characteristics can be quite variable, e.g. ash%, even the poorer quality seams have been shown to be capable of producing a high quality, medium volatile coking coal.

The Canada Dehua International Gething project is located just to the east of Resolve's Adams CLA's (11km to the east) and is planned to produce 2 million tonnes of metallurgical coal per year from the Trojan and Superior seams and other coal seams, with a 40 year mine life. At least 8 other seams are present at Gething, and the cumulative coal resources are quoted as 785.7Mt

## 10.7 Exploration Potential and Conclusion

Resolve's Adams prospect encompassing CLA's 417873 and 417874 is considered to be highly prospective for the occurrence of high quality metallurgical coal within coal seams of the Gething Formation.

Structurally, the area is contained within the Gething Creek and Adams Syncline, with rocks belonging to the overlying Gates and Moosebar Formations exposed over the majority of the licence areas. The axis of these folds, which plunge gently to the southeast, are aligned northwest-southeast through the middle of the target area, and structure should be benign with relatively flat or just gently inclined strata through this zone.

Depth to the concealed Gething Formation through the central parts of the Adams prospect is uncertain, but will undoubtedly be at depths beyond surface mining applications.

The target Gething Formation outcrops just to the east of, and partially within CLA 417873 Adams, and is interpreted to fully underlie the entire licence areas.

From drill hole data, the western limb of the syncline is inclined at moderate angles (10-20$^0$), but can locally be much steeper.

At the eastern margin of CLA 417873, the Moosebar Formation has been mapped in outcrop along a strike length of 7-8km across a consistent width of 500m to 700m. The Moosebar Formation is expected to be approximately 450m in true thickness in the Adams area, suggesting the strata in this area are relatively steeply inclined.

Dip angles measured from core in hole SMG-81-28 (just to the north of, and towards the eastern boundary of CLA 417873) were reported to be around 30$^0$.

Further to the northwest and around the closure of the Adams Syncline, the Moosebar and underlying Gething Formation outcrop zones broaden significantly, indicative of much gentler inclination of strata.

Within the Gething Formation, only a limited area in the east of Adams is prospective for shallow coal that could be mined by surface mining methods. Coal seams are expected to rapidly reach depths beyond economic limits, such that only a limited area of open-cut mining potential exists.

The entire licence areas are prospective for potential future underground mining.

Coal seam thicknesses are not known with a high level of confidence.

In the Peace River Coalfield area, Gething Formation coal seams vary in thickness from insignificant to at least 5-6m true thickness.

At least 13 seams are known from drilling adjacent to Adams, including the Titan and Trojan seams. The Superior seam is also expected to be present in the area, and is a major target seam in adjacent areas of the coalfield.

Five kilometres southeast of Adams, the Titan and Trojan seams are reported as being (each) between 5-7m in thickness, however evidence suggests the seam is thinner – around 2-2.5m – just to the east of Adams and is recorded in drill hole SMG 81-28 as only 1.07m in thickness – probably too thin to mine underground.

The Trojan seam may increase again in thickness through other parts of the Adams prospect, but this remains unknown and unproven.

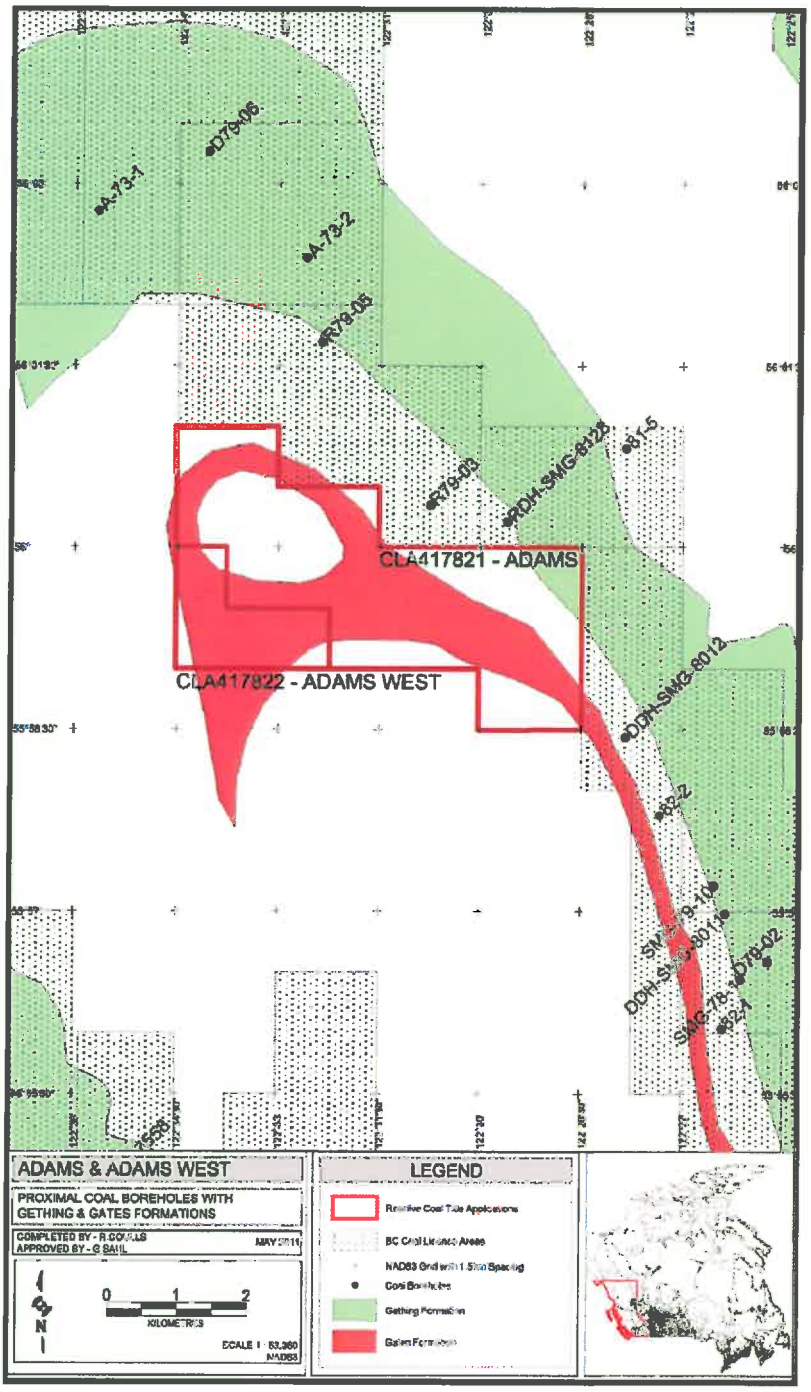
There is insufficient data available to make any informed and reliable estimates of coal inventory. Drill hole data surrounding the Adams prospect shows some deterioration in coal seam characteristics approaching the Adams area from the south, east and north. Many of the Gething Formation coal seams are relatively thin, and may not be mineable except in surface mining applications.

Only the easternmost part of the combined area has potential for open pit mining, along a strike length of 1-1.5km but strata are relatively inclined, and economic mining limits using a 15:1 stripping ratio cut-off would limit the width of a potential future open pit operation to only 3-4 strips following an initial box-cut.

Assuming 5-6m aggregate coal thickness, open-cut resource potential is therefore limited to a maximum of about 6Mt but over only a small fraction of the total licence areas (1,500 strike length * 450m width = 4% of the total licence area).

By analogy, the in-situ potential of the balance of the Adams prospect is estimated to be approximately 140-150Mt but at depths beyond surface mining methods.

Figure 10.1: Geology and drill holes, Adams' Prospect



# 11 References


Anderson, R. and Armstrong, A., 1978. Report of Exploration Activities on the Bri – Dowling Creek Property, October 1978

Anderson, R. and Armstrong, A., 1979. Report of Exploration Activities on the Bri – Dowling Creek Property, December 1979

Balfe, P.E., 1980, Stratigraphic drilling report, GSQ Charters Towers 1, QGMJ, Nov 1980

B and E Peace River Area British Columbia, February 1972

BC MEMPR Open File 1990-33: Stratigraphic Trends in the Gething Formation. A. Legun, 1990

BC MEMPR Open File 2009-07: Geology of the Wolverine River Area, Peace River Coalfield (parts of NTS 093P/03, 093I/14). A. Legun, 2009

BC EMPR # 474: Exploration Report Teck Corp Limited Bullmoose Project Sukunka Blocks

BC EMPR # 475: Report on Bullmoose Project, 1972 Sukunka River Area, B.C. January 1973

BC EMPR # 477: Geology and Coal Potential of the Gates Coal Measures of the Commotion Formation – Bullmoose Property, February 1977

BC EMPR # 478: The 1977 Exploration Program on the Bullmoose Property Sukunka River Area, December 1977

BC EMPR # 481: The 1979 Exploration Report on the Bullmoose Coal Property Sukunka River Area, December 1979

BC EMPR # 552: Report on the Geological Exploration of the Mt Spieker Area, December 1975

BC EMPR # 553: Report on the Geological Exploration of the Mt Spieker Area, November 1976

BC EMPR # 555: Report on the Geological Exploration of the Mt Spieker Area, November 1977

BC EMPR # 556: Mt Spieker Coal Project Geological Report of the 1978 Exploration Program, December 1978

BC EMPR # 557: Ranger Oil (Canada) Ltd Geological Report on Coal Licences 3930, 3931 and 3932, Peace River M.D. October 1979

BC EMPR # 558: Mt Spieker Project Progress Report 1980 Exploration Programme, December 1980

BC EMPR # 559: Mt Spieker Coal Property Final Report of Exploration S. Fork Bullmoose Creek, December 1982

Beavan, C., 1979. Geological Report on the Adams Project, November 1979

Bond, P., 2009. Linc Energy ASX announcement/ Media release. "Linc Energy increases Galilee Coal Tonnage to7.8 Billion Tonnes". Smellie & Co Building, 32 Edward Street, Brisbane, QLD, 4001

Carr, A.F., 1975. Galilee Basin in Travers, D.M., & King, D., Economic Geology of Australia and Papua New Guinea 2.Coal, AusIMM Monograph Series No.6

Carr, A.F., 1976. Galilee Basin Exploratory Coal Drilling View Hill Area., Geological Survey of Queensland, Record 1976/4

Carr, A.F., 1977. Galilee Basin Exploratory Coal Drilling Mirtna Area., Geological Survey of Queensland, Record 1977/11

Cliff, D.C.B. 1987, Emu Creek No. 1 Well completion report, DME CR#16868

Coote, S.M. 1987; GSQ Blackall 2 – Preliminary lithologic log and composite log, GSQ Record 1987/12

Cowley, P., 1982. 1981 Report of Exploration Activities on the South Mount Gething Property, April 1982

DÁrcy, R.K., 1989. Department Coal Reconnaissance Drilling in the Cullin-La-Ringo area, southwest Bowen Basin, Record 1989/28, copyright Queensland Government 1989

Duncan, D., 1980. Report of Exploration Activities on the Bri – Dowling Creek Property, December 1980

ESSO Australia Ltd. 1982, Relinquishment Report of ATP 360C, ATP 361C and ATP 362C

Fielding, C.R. 1992 A review of Cretaceous coal-bearing sequences in Australia; Geological Society of America Special Paper 287 1992

Finlayson, D.M., Leven, J.H., Wake-Dyster, K.D., Johnstone, D.W. 1990 A crustal image under the basins of Southern Qld along the Eromanga-Brisbane Geoscience Transect; In Finlayson D.M. (ed) The Eromanga-Brisbane Geoscience Transect: A guide to basin development across Phanerozoic Australia in Southern Qld Bureau of Mineral Resources, Australia. Bulletin 232, p153-175

Fjelstul, C.R., Tallis, N.C. 1963 Geophysical Report Seismograph Survey of Highfields Area A.T.P. 84P Qld (For Phillips Petroleum Company)

Hancock Coal Pty Ltd, 2009. ASX presentation/ Media release. "Leading the Galilee Basin". Hancock House, 355 Queen Street, Brisbane, Qld, Australia 4000

Holland, J.R. and Applegate, J.K., 1997. Recent Coalbed Methane Exploration in the Galilee Basin, Queensland, Australia

Legun, A., 2007 Geological Fieldwork 2006, Paper 2007-1: Mapping and Review of Coal Geology in the Wolverine River Area, Peace River Coalfield (NTS 093P/03), Northeastern British Columbia

Legun, A., 2007 Geological Fieldwork 2007, Paper 2008-1: Thickness Trends of J seam, and its Split at the Falher D Shoreline, Wolverine River Area, Peace River Coalfield, Northeastern British Columbia (parts of NTS 093I)

Metals Exploration, 1981-82, A-P 318C, BALFES CREEK (BURDEKIN), COAL PROSPECT - PROGRESS REPORT FOR PERIOD 3.9.1981-2.3.1981.; DME CR #8858

Metals Exploration, 1982, A-P 318C, BALFES CREEK (BURDEKIN), COAL PROSPECT – Final report, DME CR. #10115

Muir, W.F. 1986, ATP 305P, Rockwell Seismic Survey Final Report. CSR Ltd

Muir, W.F. 1986, ATP 305P,Sharpham Seismic Survey Final Report. CSR Ltd

Muir, W.F. 1986, ATP 305P, Emu Creek Seismic Survey Final Report. CSR Ltd

Noon, T.A, & Coote, S.M. 1986; GSQ Tambo 4 - Preliminary lithologic log and composite log, GSQ Record 1986/42

Oilmin NL, 1970's., unpublished company reports submitted to the Qld Department of Mines and Energy, CR#4691, CR#8171

RA279 Overview document–Cullin-La-Ringo,1993. Central Queensland Coal Exploration Land Release, Department of Mines and Energy

Remus, D. 1987, ATP 301P, Bronte Seismic Survey Final Report. AGIP Australia Pty Ltd

Remus, D., Tindale, K. 1988., The Pleasant Creek Arch, Adavale Basin, A Mid-Devonian to Mid-Carboniferous Thrust System; APEA Journal Vol. 28 (1988), pages 208-216

Rescan Environmental Services Ltd 2006. Gething Coal Project Description, October 2006

Resolve Geo, 2011[1]., Adams Deposit: CLA 417821 & CLA 417822 Geological Report, June 2011

Resolve Geo, 2011[2]., Tenement Report: EPC 1754 Bully Creek & EPCA 2050 Row Creek, June 2011

Resolve Geo, 2011[3]., Tenement Report: EPCA 1857 Lake Powlathanga & EPC 1969 Trafalgar, June 2011

Resolve Geo, 2011[4]., EPC 1954 Jeffries Creek, Geological report and exploration target estimate, June 2011

Resolve Geo, 2011[5]., Mt Spieker and Mt Spieker North CLA 417823 & CLA 417824 Geological Report, June 2011

Resolve Geo, 2011[6]., Tenement Report: Exploration Permit for Coal 1663 Pigeonhole Creek, June 2011

Resolve Geo, 2011[7]., EPC 1673 Sherwood Park Geological Report, June 2011

Ryan, B., 1984. Geological Report on the Adams Project, November 1984

Scott, S.G., Beeston, J.W., and Carr, A.F., 1995. Galilee Basin in Ward et al 1995 "Geology of Australian Coal Basins" Geol. Soc. Aust. Coal Geol. Spec. Group Spec Pubn No.1

Stott, D.F., Lexicon of Canadian Geologic Units. "Gething Formation", http://cgkn1.cgkn.net/weblex/weblex_litho_detail

Wilson, P, 2004, Cullin 1 End of well (EOW) report, Sunshine Gas Operations, 2004

Wilson, P, 2004, Cullin 2 End of well (EOW) report, Sunshine Gas Operations, 2004

Wilson, P, 2004, Cullin 3 End of well (EOW) report, Sunshine Gas Operations, 2004

860097 Sukunka/Bullmoose Coal Mine Project, BP Coal Ltd Technical Division July 1977

# 8. Legal Reports on Queensland Tenements and Applications

Our Ref: ALP.DT.375639
Your Ref:

PiperAlderman

22 September 2011

The Directors
Strategic Pooled Development Limited
Level 1, 139 Collins Street
MELBOURNE VIC 3000

Dear Directors

**Legal Report on Exploration Permits and Applications**


**Lawyers**

**Sydney • Melbourne**
**Brisbane • Adelaide**

ABN 42 843 327 183

Level 23
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
DX 10216 Sydney Stock Exchange

t +61 2 9253 9999
f +61 2 9253 9900

www.piperalderman.com.au

**Partner:**
Andrew Price
t +61 2 9253 9967
aprice@piperalderman.com.au

**Contact:**
Deniz Tas
Lawyer
t +61 2 9253 3839
dtas@piperalderman.com.au


## 1. Introduction

1.1 This legal report (**Report**) is being prepared for inclusion in a prospectus dated on or about 22 September 2011 (**Prospectus**) to be issued by Strategic Pooled Development Limited (**SPD**) and for inclusion in an explanatory statement for a notice of general meeting of SPD. The Prospectus relates to an offer of up to 33,333,333 shares at an issue price of $0.60 per share to raise up to $20 million.

1.2 Resolve Coal Pty Ltd (**Resolve Coal**) will be, upon completion under the conditional share and option exchange agreement between SPD, Saul Geological Pty Ltd and others dated 5 July 2011, a 100% subsidiary of SPD.

1.3 Resolve Coal:

(a) has entered into a sale of assets agreement with Resolve Geo Pty Ltd (**Resolve Geo**) to acquire from Resolve Geo:

(1) six (6) coal exploration permits (**EPCs**) in Queensland; and

(2) applications for two (2) further exploration permits for coal in Queensland; and

(b) has made one (1) application for an exploration permit for coal in Queensland.

The applications for exploration permits for coal in Queensland made by both Resolve Geo and Resolve Coal will be collectively referred to as '**EPCAs**'.

PiperAlderman

## 2. Scope of instructions

We have been instructed to:

2.1 advise on the status of the EPCs and EPCAs located in Queensland;

2.2 advise on the effect of registered dealings and any unregistered dealings which may affect the interest, when earned, of SPD (either in its own right or through Resolve Coal, which is to become SPD's wholly owned subsidiary);

2.3 conduct searches and summarise the effect upon the EPCs and the EPCAs of any registered "Native Title Claims" over land to which those EPCs and the EPCAs relate;

2.4 conduct and summarise the effect upon the EPCs and the EPCAs of any Aboriginal cultural heritage sites on the lands to which those EPCs and the EPCAs relate;

2.5 provide an opinion of SPD's interest in the EPCs and the EPCAs and the right to carry out prospecting work over the area covered by the EPCs and the EPCAs.

## 3. Executive summary

3.1 On the basis of the assumptions, and subject to the qualifications, set out in paragraph 9 of this Report, as at the date of this Report we confirm that:

(a) EPC 1663, EPC 1754, EPC 1969, EPC 1673, EPC 1954 and EPC 1857 are held currently by Resolve Geo, and, as such, Resolve Geo currently has all rights, title and interest in those EPCs.

(b) Resolve Coal is the pending holder of EPC 1663, EPC 1754, EPC 1969, EPC 1673, EPC 1954 and EPC 1857, and is awaiting the outcome of the transfer to it of these EPCs by Resolve Geo.

(c) EPCA 2050 and EPCA 2341 have been made by Resolve Geo.

(d) EPCA 2618 has been made by Resolve Coal.

(e) Resolve Geo is not in breach of any of the conditions imposed under the EPCs. The continuation/renewal of each EPC will be dependant on Resolve Geo (and any subsequent holder) complying with the conditions imposed under the EPCs on an ongoing basis.

(f) There is an existing native title claim over the whole of the area covered by EPC 1663.

(g) There are existing native title claims over parts of the areas covered by EPC 1754, EPC 1673, EPC 1857, EPCA 2050, and EPCA 2341.

(h) There is an existing Aboriginal cultural heritage site within EPC 1857 which may have an impact on the performance of works required under that EPC.

(i) There are no development permits in respect of any of the works to be performed under any of the EPCs or EPCAs.

(j) Parts of EPC 1954 and EPCA 2618 have been noted as being potential strategic cropping land which may have an impact on the level of work that may be carried out in the areas of EPC 1954 and EPCA 2618 were a mining lease to be granted over the areas of EPC 1954 or EPCA 2618 and open cut extraction works to be utilised.

(k) Parts of EPC 1969 and EPCA 2618 are within endangered regional ecosystems.

(l) Part of EPCA 2618 is within a declared catchment area.

## 4. Background of EPCs and EPCAs

4.1 The EPCs and EPCAs are governed by the *Mineral Resources Act 1989* (Qld) (**Mineral Act**).

4.2 Generally, an exploration permit under the Mineral Act provides its holder with, amongst other things, the right to prospect for minerals on, in or under the relevant land covered by the permit.

4.3 Mineral is defined under the Mineral Act as a substance:

"*(a) normally occurring naturally as part of the earth's crust; or*

*(b) dissolved or suspended in water on or within the earth's crust; or*

*(c) that may be extracted from a substance mentioned in paragraph (a) or (b).*"

4.4 To obtain an exploration permit, an applicant must apply to Minister. Application must be made in the approved form and accompanied by, amongst other things a statement:

(a) specifying a description of the work program propose to be carried out;

(b) specifying the estimate human, technical and financial resources proposed to be committed to exploration work; and

(c) detailing exploration data capture by the applicant prior to the application.

PiperAlderman

4.5 An exploration permit will not be granted until the applicant provides the security deposit determined appropriate by the Minister for compliance with the permit and the Mineral Act.

4.6 An exploration permit is typically granted in respect of:

(a) all minerals other than coal; or

(b) coal.

4.7 Each exploration permit granted by the Minister is subject to conditions which must be complied with. These conditions include:

(a) that the holder must:

(1) comply with the mandatory provisions of the land access code to the extent it applies to the holder; and

(2) ensure any person carrying on an authorised activity for the exploration permit complies with the mandatory provisions of the land access code;

(b) that the holder shall carry out such work programs and studies for the purposes for which the permit was granted and in accordance with the Mineral Act and the conditions of the permit and for no other purpose;

(c) that the holder must carry out improvement, restoration for the permit;

(d) that the holder prior to the termination for whatever cause of the permit shall remove all equipment and plant on or in the land comprised in the permit unless otherwise authorised by the Minister;

(e) that, without the prior written approval of the minister, the holder shall not obstruct or interfere with any right of access had at any time during the term of the permit by any person in respect of land the subject of the permit for so long as that right of access is exercised;

(f) the holder shall not assign the permit without the written consent of the Minister;

(g) that the holder must give the following reports to the Minister:

(1) an annual report, given each year during the term of the permit, within 1 month after each anniversary of the day the exploration permit takes effect;

(2) a report about a reduction in the area of the permit, given within 2 months after the reduction takes effect;

(3) a report summarising the results of the exploration for the whole of the term of the permit, given within 2 months after the exploration permit ends;

(h) that the holder must, when and in the way the Minister directs, give to the Minister a report:

(1) about the permit, that is in addition to those specified in paragraph (g) above; and

(2) about materials obtained because of the holder's activities under the permit;

(i) that the holder:

(1) shall pay the rental as prescribed - the *Mineral Resources Regulation 2003* (**Mineral Regulation**) prescribes the rate of $127.05 for each sub-block to which an exploration permit applies;

(2) shall deposit as required by the Minister any security from time to time under the Mineral Act;

(j) that the holder shall comply with the Mineral Act and other mining legislation; and

(k) such other conditions as are prescribed; and

(l) such other conditions as are determined by the Minister, including conditions relating to native title protection.

4.8 For the purposes of paragraph 4.7(k) above, the conditions that are prescribed by the Mineral Regulation are that the holder of, or a person acting under the authority of, an exploration permit must:

(a) use, if practicable, only existing roads or tracks on the land to which the permit applies;

(b) take reasonable steps to ensure no reproductive material of a declared plant is moved onto, within or from the land to which the permit applies;

(c) not allow an animal in the custody of the holder or person to be on the land to which the permit applies unless the land is fenced in a way to prevent the animal from leaving the land or the animal is restrained; and

(d) if the permit applies to occupied land, not do the following on the land unless the holder has the written consent of the owner of the land and the consent has been lodged with the mining registrar:

(1) discharge a firearm; or

(2) light an open fire.

4.9 If the Minister considers that the holder of an exploration permit has failed to comply with any of the conditions of a permit, the Minister may:

(a) cancel the permit; or

(b) impose a penalty on the holder;

(c) use the security deposit to stop the noncompliance; and

(d) take into account the failure to comply with any of those conditions in considering any application to renew the relevant exploration permit.

4.10 The holder of an exploration permit may apply to the Minister for a variation of the conditions of a permit. The Minister may vary those conditions by imposing conditions in addition to any conditions that apply under the existing permit and fix an amount of security to be deposited in addition to any security deposited for the existing permit.

4.11 The initial term of an exploration permit is, unless sooner surrendered or cancelled, for a period not exceeding 5 years commencing on the date specified in the permit (being a date not earlier than the date of grant of the permit). However, the holder of a permit may apply for a renewal of the permit typically no earlier than 6 months and no later than 3 months before the expiry of the current term of the permit. The renewal may be granted for a further term of not more than 5 years. The renewed permit could be subject to conditions different from the initial permit.

4.12 Upon a discovery of minerals of commercial value in what appears to be payable quantities being made within an exploration permit area, the holder must report to the Minister the fact of that discovery and such other particulars as the Minister requires. The Minister may direct the holder to apply for a mineral development licence or mining lease in respect of that discovery within a specified time, failing which the Minister may cancel the exploration permit.

4.13 A statutory royalty is payable for minerals sold, disposed of or used. Under the Mineral Regulation, the statutory royalty rate for coal is the higher of the following:

(a) 7% of the value of coal; and

(b) the rate for each tonne of coal worked out using the following formula:

$$RR = 7\% + \left(\frac{(AP - 100)}{AP} \times 3\%\right)$$

where:

**RR** is the royalty rate; and

**AP** is the average price per tonne of the coal sold, disposed or used in the quarterly period.

4.14 The royalty rate must be worked out and applied separately for coal sold, disposed of or used inside the Queensland and coal sold, disposed of or used outside Queensland.

4.15 In order to apply for an exploration permit, the applicant must concurrently apply for an environmental authority (mining activities) under the *Environmental Protection Act 1994* (Qld) (**EP Act**).

4.16 The applicant may in certain circumstances apply for a 'code compliant authority' for the purposes of section 148(3) of the EP Act.

4.17 Under section 165 of the EP Act, the conditions of a 'code compliant authority' are taken to be the 'relevant standard environmental conditions', namely the standard environmental conditions applying to the activities the subject of that authority.

## 5. EPCs and EPCAs in detail

5.1 EPC 1663

(a) EPC 1663 was granted to Resolve Geo on 26 November 2010 for a period 5 years and will expire on 25 November 2015. The mineral sought under EPC 1663 is limited to coal. Resolve Coal is the pending holder of EPC 1663, and is awaiting the outcome of the transfer to it of EPC 1663 by Resolve Geo.

(b) EPC 1663 consists of 12 sub-blocks totalling 38.31km$^2$. The annual rent currently payable under EPC 1663 is $1,480.20.

(c) EPC 1663 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1663 are contained in:

(1) the "*General Conditions*" Version 4 for Exploration Permits dated 26 May 2010;

(2) the Specific Conditions for EPC 1663, which include the minimum work program and expenditure specified in paragraph 5.1(e) of this Report;

(3) the Native Title Protection Conditions Version 2 dated October 2010.

(d) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1663.

PiperAlderman

(e) Pursuant to the requirements under EPC 1663, the minimum work program for the initial 5 year period is as follows:

(1) *Year 1*

(A) Data compilation and exploration design

(B) Geological reconnaissance and mapping

**Year 1 Minimum Expenditure = $15,000**

(2) *Year 2*

(A) Preliminary drilling program

(B) Geophysical logging

(C) Sample assaying

**Year 2 Minimum Expenditure = $200,000**

(3) *Year 3*

(A) Database production

(B) Resource modelling

(C) Exploration program

(D) Drilling

(E) Sample assaying

(F) Geophysical logging

**Year 3 Minimum Expenditure = $485,000**

(4) *Year 4*

(A) Resource drilling

(B) Sample assaying

(C) Geophysical logging

**Year 4 Minimum Expenditure = $883,000**

(5) *Year 5*

(A) Mine planning

(B) Transport and marketing studies

(C) Washability studies

**Year 5 Minimum Expenditure = $255,000**

**Total Minimum Expenditure = $1,838,000**

The information detailed above reflects the Specific Conditions for EPC 1663.

(f) A 'code complaint authority' under the EP Act has been issued for EPC 1663. A financial assurance of $2,500 has been paid in respect of this authority.

5.2 EPC 1754

(a) EPC 1754 was granted to Resolve Geo on 29 October 2010 for a period 5 years and will expire on 28 October 2015. The mineral sought under EPC 1754 is limited to coal. Resolve Coal is the pending holder of EPC 1754, and is awaiting the outcome of the transfer to it of EPC 1754 by Resolve Geo.

(b) EPC 1754 consists of 49 sub-blocks totalling 156.50km$^2$. The annual rent currently payable under EPC 1754 is $6,225.45.

(c) EPC 1754 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1754 are contained in:

(1) the "*General Conditions*" Version 4 for Exploration Permits dated 26 May 2010;

(2) the Specific Conditions for EPC 1754, which include the minimum work program and expenditure specified in paragraph 5.2(e) of this Report;

(3) the Native Title Protection Conditions Version 2 dated October 2010.

(d) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1754.

(e) Pursuant to the requirements under EPC 1754, the minimum work program for the initial 5 year period is as follows:

(1) *Year 1*

(A) Data compilation and exploration design

(B) Geological reconnaissance and mapping

**Year 1 Minimum Expenditure = $40,000**

(2) *Year 2*

(A) Preliminary drill program, chip and core

(B) Down hole geophysics, assaying

**Year 2 Minimum Expenditure = $200,000**

(3) *Year 3*

(A) Further drilling

(B) Down hole geophysics, assaying

(C) Database production, CQ testing

(D) Preliminary resource modelling

**Year 3 Minimum Expenditure = $485,000**

(4) *Year 4*

(A) Infill resource drilling

(B) Down hole geophysics

(C) Conceptual mine studies

**Year 4 Minimum Expenditure = $883,000**

(5) *Year 5*

(A) Mine planning feasibility studies

(B) Bulk sampling, CQ testing

**Year 5 Minimum Expenditure = $255,000**

**Total minimum work program expenditure = $1,863,000**

The information detailed above reflects the Specific Conditions for EPC 1754.

(f) A 'code complaint authority' under the EP Act has been issued for EPC 1754. A financial assurance of $2,500 has been paid in respect of this authority.

5.3 EPC 1969

(a) EPC 1969 was granted to Resolve Geo on 21 April 2011 for a period 5 years and will expire on 20 April 2016. The mineral sought under EPC 1969 is limited to coal. Resolve Coal is the pending holder of EPC 1969, and is awaiting the outcome of the transfer to it of EPC 1969 by Resolve Geo.

(b) EPC 1969 consists of 50 sub-blocks totalling 161km$^2$. The annual rent currently payable under EPC 1969 is $6,167.50.

(c) Excluded from the area of EPC 1969 is land of an area of 17.964 ha covered by Mining Lease 10277 held by Kagara Ltd, which was granted on 24 February 2005 and expires on 28 February 2015.

(d) EPC 1969 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1969 are contained in:

(1) the "*General Conditions*" Version 5 for Exploration Permits dated 10 December 2010;

(2) the Specific Conditions for EPC 1969, which include the minimum work program and expenditure specified in paragraph 5.3(f) of this Report;

(3) the Native Title Protection Conditions Version 2 dated October 2010.

(e) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1969.

(f) Pursuant to the requirements under EPC 1969, the minimum work program for the initial 5 year period is as follows:

(1) *Year 1*

(A) Data compilation

(B) Non-core drilling

(C) Coal analysis

(D) Down hole logging

(E) Geological mapping

**Year 1 Minimum Expenditure = $70,000**

(2) *Year 2*

PiperAlderman

(A) Drilling

(B) Lab analysis

(C) Down hole logging

(D) Modelling

**Year 2 Minimum Expenditure = $140,000**

(3) *Year 3*

(A) Drilling

(B) Lab analysis

(C) Down hole logging

(D) Geophysical surveys

(E) Modelling

**Year 3 Minimum Expenditure = $300,000**

(4) *Year 4*

(A) Drilling

(B) Lab analysis

(C) Down hole logging

(D) Geophysical surveys

(E) Mining study

**Year 4 Minimum Expenditure = $810,000**

(5) *Year 5*

(A) Geophysical surveys

(B) Modelling

(C) Mining study

**Year 5 Minimum Expenditure = $375,000**

**Total minimum work program expenditure = $1,695,000**

The information detailed above reflects the Specific Conditions for EPC 1969.

(g) A 'code complaint authority' under the EP Act has been issued for EPC 1969. A financial assurance of $2,500 has been paid in respect of this authority.

5.4 EPC 1673

(a) EPC 1673 was granted to Resolve Geo on 29 October 2010 for a period 5 years and will expire on 28 October 2015. The mineral sought under EPC 1673 is limited to coal. Resolve Coal is the pending holder of EPC 1673, and is awaiting the outcome of the transfer to it of EPC 1673 by Resolve Geo.

(b) EPC 1673 consists of 292 sub-blocks totalling 903.20km$^2$. The annual rent currently payable under EPC 1673 is $37,098.60.

(c) The Queensland Department Employment, Economic Development and Innovation has noted that Resolve Geo has an interest in future underground coal gasification activity within the EPC 1673 area.

(d) Excluded from the area of EPC 1673 is:

(1) Sterile Land 165 – Mariala National Park;

(2) land of an area of 10.80 ha covered by Mining Lease 60110 held by Dennis Alan Nowland, which was granted on 10 February 1994 and expires on 28 February 2014; and

(3) land of an area of 9 ha covered by Mining Lease 60187 held by Dennis Alan Nowland, which was granted on 14 December 1995 and expires on 31 December 2015.

(e) EPC 1673 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1673 are contained in:

(1) the "*General Conditions*" Version 4 for Exploration Permits dated 26 May 2010;

(2) the Specific Conditions for EPC 1673, which include the minimum work program and expenditure specified in paragraph 5.4(g) of this Report;

(3) the Native Title Protection Conditions Version 2 dated October 2010.

(f) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1673.

(g) Pursuant to the requirements under EPC 1673, the minimum work program for the initial 5 year period is as follows:

(1) *Year 1*

(A) Data compilation and exploration design

(B) Geological reconnaissance and mapping

(C) First stage drilling program

**Year 1 Minimum Expenditure = $100,000**

(2) *Year 2*

(A) Preliminary drilling program

(B) Geophysical logging

(C) Sample assaying

**Year 2 Minimum Expenditure = $310,000**

(3) *Year 3*

(A) Database production and exploration planning

(B) Drilling program

(C) Sample assaying

(D) Geophysical logging

**Year 3 Minimum Expenditure = $485,000**

(4) *Year 4*

(A) Resource drilling

(B) Sample assaying

(C) Geophysical logging

(D) Conceptual mining studies

**Year 4 Minimum Expenditure = $883,000**

(5) *Year 5*

(A) Mine planning

PiperAlderman

(B) Transport and marketing studies

**Year 5 Minimum Expenditure = $255,000**

**Total minimum work program expenditure = $2,033,000**

The information detailed above reflects the Specific Conditions for EPC 1673.

(h) A 'code complaint authority' under the EP Act has been issued for EPC 1673. A financial assurance of $2,500 has been paid in respect of this authority.

5.5 EPC 1954

(a) EPC 1954 was granted to Resolve Geo on 4 February 201110 for a period 5 years and will expire on 3 February 2016. The mineral sought under EPC 1954 is limited to coal. Resolve Coal is the pending holder of EPC 1954, and is awaiting the outcome of the transfer to it of EPC 1954 by Resolve Geo.

(b) EPC 1954 consists of 11 sub-blocks totalling 34.56km$^2$. The annual rent currently payable under EPC 1954 is $1,356.85.

(c) Excluded from the area of EPC 1954 is an area known as "RA 197 – Fairbairn Dam Catchment Area". With respect to the sub-blocks within that catchment area certain conditions are imposed by the Specific Conditions for EPC 1954 including that exploration or works that involve any degree of surface or subsurface disturbance within those sub-blocks are not permitted unless specific approval is given by the Queensland Department of Environment and Resource Management.

(d) EPC 1954 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1954 are contained in:

(1) the "*General Conditions*" Version 5 for Exploration Permits dated 10 December 2010; and

(2) the Specific Conditions for EPC 1954, which include the minimum work program and expenditure specified in paragraph 5.5(f) of this Report.

(e) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1954.

(f) Pursuant to the requirements under EPC 1954, the minimum work program for the initial 5 year period is as follows:

(1) *Year 1*

PiperAlderman

(A) Data review and GIS compilation

(B) Reconnaissance mapping to define target sequence

(C) Initial open hole drilling

(D) Down hole logging

(E) Coal analysis and gas assessment

**Year 1 Minimum Expenditure = $9,000**

(2) *Year 2*

(A) Further open hole/core drilling – down hole logging

(B) Coal analysis and gas assessment

(C) Revised geological/structural model

**Year 2 Minimum Expenditure = $18,000**

(3) *Year 3*

(A) Further core drilling plus down hole logging

(B) Mini sosie 2D/3D surveys

(C) Revised geological model of CM

(D) Coal quality and gas testing

(E) Resource assessment and geostats

**Year 3 Minimum Expenditure = $30,000**

(4) *Year 4*

(A) Infill resource drilling

(B) Down hole logging

(C) Mini soise surveys

(D) Metallurgical testwork, geotechnical work

(E) Revised resource estimation

(F) Coal quality testing

**Year 4 Minimum Expenditure = $85,000**

(5) *Year 5*

(A) Infill resource drilling

(B) Down hole logging

(C) Upgraded resource estimation, planning

(D) Coal quality, gas testing

(E) Metallurgical testwork, engineering

(F) Scoping study, economic evaluation

(G) Conceptual mine study

**Year 5 Minimum Expenditure = $164,000**

**Total minimum work program expenditure = $306,000**

The information detailed above reflects the Specific Conditions for EPC 1954.

(g) A 'code complaint authority' under the EP Act has been issued for EPC 1954. A financial assurance of $2,500 has been paid in respect of this authority.

5.6 EPC 1857

(a) EPC 1857 was granted to Resolve Geo on 26 July 2011 for a period of 5 years and will expire on 25 July 2016. The mineral sought under EPC 1857 is limited to coal. Resolve Coal is the pending holder of EPC 1857, and is awaiting the outcome of the transfer to it of EPC 1857 by Resolve Geo.

(b) EPC 1857 consists of 90 sub-blocks totalling 290km$^2$. The annual rent currently payable under EPC 1857 is $11,101.50.

(c) EPC 1857 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1857 are contained in:

(1) the "*General Conditions*" Version 5 for Exploration Permits dated 10 December 2010;

(2) the Specific Conditions for EPC 1857, which include the minimum work program and expenditure specified in paragraph 5.6(e) of this Report; and

(3) the Native Title Protection Conditions Version 2 dated October 2010.

PiperAlderman

(d) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1857.

(e) Pursuant to the requirements under EPC 1857, the minimum work program for the initial 5 year period is as follows:

(1) *Year 1*

(A) Literature review and GIS compilation

(B) Reconnaissance mapping and target interpretation

**Year 1 Minimum Expenditure = $55,000**

(2) *Year 2*

(A) Scout drilling and down hole geophysics

(B) Coal quality testing

**Year 2 Minimum Expenditure = $300,000**

(3) *Year 3*

(A) Review of targets

(B) Detailed basin mapping, resource modelling

(C) Drilling of new targets, assaying

(D) Follow up interpretation

**Year 3 Minimum Expenditure = $485,000**

(4) *Year 4*

(A) As above

(B) Resource drilling

(C) Prefeasibility scoping studies

**Year 4 Minimum Expenditure = $883,000**

(5) *Year 5*

(A) Resource estimation

(B) Infill drilling

(C) Mine plan scoping studies

**Year 5 Minimum Expenditure = $255,000**

**Total minimum work program expenditure = $1,978,000**

The information detailed above reflects the Specific Conditions for EPC 1857.

(f) A 'code complaint authority' under the EP Act has been issued for EPC 1857. A financial assurance of $2,500 has been paid in respect of this authority.

5.7 EPCA 2050

(a) EPCA 2050 was lodged on 1 February 2010 by Resolve Geo. The term sought under EPCA 2050 is for 5 years and the mineral sought will be limited to coal.

(b) EPCA 2050 is not a competing application for the purposes of the Mineral Act.

(c) EPCA 2050 will consist of 25 sub-blocks totalling 79.89km$^2$.

(d) A 'code complaint authority' under the EP Act has been issued for EPCA 2050.

5.8 EPCA 2618

(a) EPCA 2618 was lodged on 21 June 2011 by Resolve Coal. The term sought under EPCA 2618 is for 5 years and the mineral sought will be limited to coal.

(b) EPCA 2618 is not a competing application for the purposes of the Mineral Act.

(c) EPCA 2618 will consist of 15 sub-blocks totalling 47.17km$^2$.

(d) A 'code complaint authority' under the EP Act has been issued for EPCA 2618.

5.9 EPCA 2341

EPCA 2341 was lodged on 1 February 2011 by Resolve Geo, however it is a competing application for the purposes of the Mineral Act.

## 6. Native Title Issues

6.1 Background

(a) The decision of the High Court of Australia in *Mabo and Others v The State of Queensland (No.2)* (1992) 175 CLR 1 held that the common law of Australia recognises a form of title to land which reflects the

entitlements of Aboriginal people to their traditional lands in accordance with their traditional laws and customs. It called this title to land 'native title' and the Commonwealth Parliament attempted to clarify issues surrounding and involving it by passing the *Native Title Act 1993* (Cth) (**NTA**) together with subsequent amendments.

(b) The NTA enabled States to pass legislation providing for the validation of certain acts attributable to it. The Queensland parliament passed the *Native Title (Queensland) Act 1993* (Qld). Together, the NTA and State legislation operate to confirm the extinguishment of native title for certain interests in land or for certain acts which occurred in relation to the land.

(c) As a result, within each native title claim area there are parcels and pockets of land where native title has been extinguished. Past acts such as the grant of freehold title to land and certain terms of lease and other tenure may have had the effect of extinguishing native title.

(d) A detailed analysis (beyond the scope of this Report) of land tenure status for each area of the EPCs and EPCAs which fall within a native title claim area is required to determine whether native title has been extinguished in the whole or in part in these areas.

6.2 Native Title Claims

(a) Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court.

(b) The application must then undergo a registration test to determine if it meets certain registration requirements. Once satisfied the application is assigned 'registered' status and is registered on the Register of Native Title Claims maintained by the National Native Title Tribunal. Once registered, claimants then have certain procedural rights set out in the NTA including the right to be consulted on or be involved in future acts or negotiations about certain proposed developments or activities in the claim area while their native title application is underway.

6.3 Native Title Determinations

Once a claim has been determined it is recorded on the National Native Title Register. The determination will indicate whether native title exists or does not exist over the application area.

6.4 Notice and Expedited Procedure

(a) Under section 29 of the NTA, before the Queensland Government may grant an exploration permit, it is required to give notice (**Section 29 Notice**) to certain parties, including:

(1) any registered native title body corporate in relation to any of the land or waters that will be affected by such a grant;

(2) unless there are one or more registered native title bodies corporate in relation to all of the land or waters that will be affect by such a grant:

(A) any registered native title claimant; and

(B) any representative Aboriginal/Torres Strait Islander body,

in relation to any of the land or waters that will be affected by such a grant.

(b) Under section 31 of the NTA, the Queensland Government must give those parties an opportunity to make submissions regarding such a grant and to negotiate with it and the applicant. However, under section 32 of the NTA, the Government is not required to provide this opportunity if it includes a statement in its Section 29 Notice that it considers that such a grant is an act attracting the 'expedited procedure'. A native title party may, within 4 months of being given a Section 29 Notice, lodge an objection against the inclusion of a statement that the grant attracts the expedited procedure.

(c) The Queensland Government however appears to have a policy of requiring an applicant to accept standard native title protection conditions as a condition of the grant of an exploration permit using the expedited procedure.

6.5 Specific issues and search results

(a) *EPC 1663*

(1) EPC 1663 is wholly within the Wangan and Jagalingou People claim area and was granted through the expedited procedure.

(2) The claim by the Wangan and Jagalingou People was accepted for registration on 5 July 2004.

(3) An Indigenous Land Use Agreement (**ILUA**) was registered over that area on 12 December 2008.

(4) EPC 1663 is subject to the standard native title protection conditions.

(b) *EPC 1754*

(1) EPC 1754 is partly within the Wangan and Jagalingou People claim area and was granted through the expedited procedure.

(2) The claim by the Wangan and Jagalingou People was accepted for registration on 5 July 2004.

(3) An ILUA was registered over that area on 12 December 2008.

(4) EPC 1754 is subject to the standard native title protection conditions.

(c) *EPC 1969*

There are presently no native title claims over the area covered by EPC 1969.

(d) *EPC 1673*

(1) EPC 1673 is wholly within the Bidjara People claim area and was granted through the expedited procedure.

(2) The claim by the Bidjara People was accepted for registration on 12 September 2008.

(3) EPC 1673 is subject to the standard native title protection conditions.

(e) *EPC 1954*

There are presently no native title claims over the area covered by EPC 1954.

(f) *EPC 1857*

(1) EPC 1857 is partly within the Gudjala People claim area.

(2) The claim by the Gudjala People was accepted for registration on 22 April 2005.

(3) EPC 1857 is subject to the standard native title protection conditions.

(g) *EPCA 2050*

(1) EPCA 2050 is partly within the Wangan and Jagalingou People claim area.

(2) The claim by the Wangan and Jagalingou People was accepted for registration on 5 July 2004.

(3) An ILUA was registered over that area on 12 December 2008.

(4) There is an existing objection to the inclusion in the relevant Section 29 Notice of a statement that the grant attracts the

expedited procedure (see paragraph 6.4(b) of this Report), lodged by the Wangan and Jagalingou People on 3 December 2010. Negotiations are currently taking place in respect of that objection.

(h) *EPCA 2618*

There are presently no native title claims over the area covered by EPCA 2618.

(i) *EPCA 2341*

(1) EPCA 2341 is partly within the Wangan and Jagalingou People claim area.

(2) The claim by the Wangan and Jagalingou People was accepted for registration on 5 July 2004.

(3) An ILUA was registered over that area on 12 December 2008.

The information detailed above reflects the information available from the Native Title Vision online service provided by the National Native Title Tribunal and other information obtained from the National Native Title Tribunal.

## 7. Aboriginal Cultural Heritage Issues

7.1 The Department of Environment and Resource Management (**DERM**) is the main Government agency dealing with Aboriginal cultural heritage sites in Queensland. DERM maintains the Aboriginal and Torres Strait Islander Cultural Heritage Database and Register (**ATSICHDR**) which is a database including details of significant Aboriginal cultural heritage sites that have been reported to them.

7.2 The *Aboriginal Cultural Heritage Act 2003* (Qld) (**ACH Act**) contains provisions for the recognition, protection and conservation of Aboriginal cultural heritage.

7.3 Significantly, under the ACH Act the relevant Minister may give a person a stop order for an activity if the Minister is satisfied that there are reasonable grounds for concluding that either or both:

(a) in carrying out that activity, the person is or will be harming Aboriginal cultural heritage; and

(b) the carrying out of that activity is having or will have a significant adverse impact on the cultural heritage value of Aboriginal cultural heritage.

7.4 A search of the ATSICHDR for each EPC and EPCA revealed that:

(a) The following Aboriginal cultural heritage site exists on EPC 1857

"Painting".

(b) The coordinates of the site referred to in paragraph 7.4(a) of this Report are:

latitude: -20.32764
longitude: 146.04.

(c) No other Aboriginal cultural heritage sites were recorded on ATSICHDR for the other EPCs and EPCAs.

7.5 The ATSICHDR records are not conclusive but are the only publicly available record of these matters. Before any work is done on an area of an EPC or EPCA (once granted), more detailed searches and analysis of Aboriginal cultural heritage sites, including discussions with the relevant Aboriginal party for the area within which the area of the relevant EPC or EPCA is located, would need to be undertaken.

7.6 With respect to EPC 2050, an agreement is currently being negotiated with the Wangan and Jagalingou People for cultural heritage work to be conducted in the area of EPC 2050

## 8. Development permits, strategic cropping land and other environmental matters

8.1 Development permits

(a) Under the *Sustainable Planning Act 2009* (Qld) (**Planning Act**), 'development', which includes extracting gravel, rock, sand or soil from the place where it occurs naturally, may only be carried out with a 'development permit' if it is considered 'assessable development' for the purposes of the Planning Act.

(b) There are no development permits under the Planning Act in respect of any of the works to be performed under any of the EPCs or EPCAs.

(c) Section 319 of the Mineral Act however provides that the Planning Act does not apply to development authorised under the Mineral Act.

8.2 Strategic cropping land

(a) The Queensland Government has proposed to implement legislative measures to the Mineral Act to protect strategic cropping lands.

(b) In this regard, parts of the areas of EPC 1954 and EPCA 2618 have been noted as being potential strategic cropping land, which may create delays and changes to area of activity depending on resource location and the degree of interference between those competing land use activities were a mining lease to be granted over the areas of EPC 1954 or EPCA 2618 and open cut extraction works to be utilised.

8.3 Other environmental matters

(a) EPC 1969 is partly within an endangered regional ecosystem for the purposes of the *Vegetation Management Act 1999* (Qld).

(b) EPCA 2618 is partly within:

(1) an endangered regional ecosystem for the purposes of the *Vegetation Management Act 1999* (Qld); and

(2) a declared catchment area for the purposes of the *Water Act 2000* (Qld).

(c) Subject to paragraph 8.3(d) of this Report, before any work is done in any of the areas specified in paragraphs 8.3(a) and (b) of this Report, a detailed review and analysis should be conducted to ascertain the affect of any legislative and planning instruments on the ability to carry out such work.

(d) That part of EPCA 2618 within the declared catchment area may be excluded from the final area granted under that application in the same manner as the declared catchment area relating to EPC 1954 has been excluded.

## 9. Assumptions and Qualifications

Our preparation of this Report has relied upon:

9.1 information available from, and provided by, the Queensland Department of Employment, Economic Development and Innovation as at the date of this Report;

9.2 information available from the Queensland Department of Employment, Economic Development and Innovation's Interactive Resource and Tenure Maps as at the date of this Report;

9.3 information available from, and provided by, the Queensland Department of Environment and Resource Management as at the date of this Report;

9.4 information available from the Native Title Vision service provided by the National Native Title Tribunal as at the date of this Report and information obtained from the National Native Title Tribunal on 26 July 2011; and

9.5 information obtained from the Aboriginal and Torres Strait Islander cultural heritage database and register administered by the Queensland Department of Environment and Resource Management on 28 July 2011 and 3 August 2011;

9.6 information obtained from Resolve Coal,

(which information we have not sought to independently verify).

## 10. Consent

For the purpose of section 716 of *the Corporations Act 2001*, Piper Alderman, consents to being named as legal advisers to the offer in the Prospectus (including for the purposes of this consent the electronic form of the Prospectus) and for the inclusion of the Report in the Prospectus, in the form and context in which it is named.

Piper Alderman has not authorised or caused the issue of the Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any other part of the Prospectus.

Piper Alderman has not withdrawn this consent prior to lodgement of the Prospectus with the Australian Securities & Investments Commission.

**Yours faithfully**
**Piper Alderman**

Per:

**Andrew Price**
Partner

# 9. Legal Report on Canadian Applications

mcmillan

Our File No. 62650-1
Date September 14, 2011

Strategic Pooled Development Limited
Level 1, 139 Collins Street,
Melbourne, Victoria, 3000

Dear Sirs:

**Re: Resolve Coal Pty Ltd. – Coal Licence Applications**

**Coal Legislation in British Columbia, Canada**

We confirm that we have been retained to provide a report and opinion (collectively, the "**Report**") pertaining to:

(a) Resolve Coal Pty Ltd.'s ("**Resolve**") application for certain coal licences located in the Province of British Columbia, Canada, as more particularly described in Schedule "A" hereto (the "**Licence Applications**"); and

(b) an overview of the legislation in British Columbia pertaining to coal tenures,

for inclusion in a prospectus dated on or about September 16, 2011 to be issued by Strategic Pooled Development Limited (the "**Company**") to be filed with the Australian Securities & Investments Commission and for inclusion in an explanatory statement for a notice of general meeting of the Company to be held in Australia.

## 2. Scope of Investigation

With respect to the Report we have been instructed to:

(a) advise on the status of the Licence Applications;

(b) conduct the searches listed below;

(c) conduct searches and summarise the effects upon the Licence Applications of any aboriginal or treaty rights; and

(d) provide an opinion on the Resolve's interest in the Licence Applications and, assuming the Licence Applications are granted, the rights that Resolve would obtain under a coal licence.

For the purposes of this Report, we have examined executed originals or photostatic or facsimile copies of executed originals of the following documents:

(a) the results of a Mineral Titles and Tenure Searches on the website maintained by the Ministry of Sustainable Resource Management of the Government of British Columbia (the "**Tenure Searches**"), last updated September 7, 2011;

(b) application acceptance letter dated August 2, 2011 from Ministry of Energy and Mines, Mineral Titles Branch; and

(c) a certificate of good standing for Resolve issued by the Province of British Columbia on September 14, 2011.

We have made the searches and other investigations and reviewed the other documents and questions of law which we consider necessary or appropriate for the purposes of this Report.

## 3. Report Limitations

This Report is limited to the laws of the Province of British Columbia, Canada, including the relevant federal laws of Canada, and, accordingly, this Report does not address the laws of any other jurisdiction nor does it address in detail any laws not directly related to coal tenure although such other laws will impact decisions about coal exploitation including for example and without limitation, environmental, taxation, and aboriginal laws.

## 4. Executive Summary

As a result of the Tenure Searches and based on and subject to the assumptions and qualifications herein below described, we are of the opinion that:

(a) the Licence Applications have been accepted by the Ministry of Energy, Mines and Petroleum Resources (the "**Ministry**") and recorded as set out on Schedule "A" hereto;

(b) Resolve is the recorded holder of the Licence Applications;

(c) according to the Tenure Searches, there are no liens, charges or encumbrances recorded against the Licence Applications as at September 7, 2011; and

(d) if the Licence Applications are granted, Resolve will have the rights as set out in paragraph 7(c) of this Report over the area that is expressed in the Licence Applications.

## 5. Assumptions

For the purpose of this Report, we have made the following assumptions:

(a) the genuineness of all signatures and the legal capacity of all individuals who have executed relevant documents, records or certificates reviewed by us, the authenticity of all such documents, records or certificates and the conformity to authentic original documents of any copies of such documents, records or certificates which were reviewed by us;

(b) the proper authority of any individual acting or purporting to act in a representative capacity or as a public official;

(c) the accuracy, currency, and completeness of the public records maintained governmental, regulatory or other like authorities with respect to those matters referred to herein; and

(d) the accuracy, currency, truth and completeness of the indices and filing systems and other public records maintained by public offices where we searched or enquired or have caused searches or enquiries to be made and upon such information and advice as provided to us by appropriate governmental, regulatory or other like authorities with respect to those matters referred to herein; and

(e) that in fact and law the Province of British Columbia (the "**Provincial Crown**") owns the surface and mineral rights of the lands (the "**Crown Land**") in respect of which the License Applications have been made.

## 6. Qualifications

This Report is subject to the following qualifications:

(a) the documents examined in the Tenure Searches are the only documents we have examined pertaining to title to the Licence Applications;

(b) no searches or other correlations were made with respect to tax assessed by applicable government authorities;

(c) no land title searches, survey records or surface rights have been undertaken; and

(d) we have not investigated:

(i) the compliance with any legal requirements of the original License Applications;

(ii) the location of the boundaries of the Licence Applications; or

(iii) whether there may be any liens, charges or encumbrances in respect of the Licence Applications other than which may be noted in the public records reviewed in the Tenure Searches.

## 7. Coal Licences in British Columbia

The following is a summary of the principal aspects of government granted coal licences and coal leases in British Columbia, but must be considered to be qualified by reference to the complete contents of the specific legislation referred to.

### (a) Coal Act

The *Coal Act*[1] authorizes the registration of coal titles in British Columbia. The *Coal Act* is administered by the Ministry. The Ministry is responsible for managing British Columbia's mineral resources, which includes managing the recording system pertaining to the coal rights in British Columbia. The Ministry maintains records and maps which indicate the location and status of coal titles

There are two types of coal tenures in British Columbia: coal licences and coal leases.[2] Coal licences provide holders with the exclusive right to explore and develop coal. Coal leases provide lessees with the exclusive right to explore, develop and produce coal.[3]

Under the Coal Act, "coal land" is defined as land in which the coal or the right to explore for, develop and produce coal is vested in or reserved to the Provincial Crown.[4] "Recorded Holders" may enter, occupy and use coal land and prospect for, explore for and produce coal.[5] A "Recorded Holder" is defined as an owner of a coal licence or coal lease.

The *Coal Act*[6] incorporates the two zone mining policy, which makes all areas including private land available to mining except for areas that fit narrow criteria. On most lands, the *Coal Act* explicitly gives a priority to coal over other land-use designations, saying no designation can inhibit coal exploration unless it is one of the areas listed in the *Coal Act*[7]. There are prohibitions from exploring for coal near buildings, orchards and dwellings[8] and within the bounds of certain land-use designations: parks, ecological reserves and certain Crown lands subject to an order specifically prohibiting mining[9]. Additionally, the Minister has wide discretion to prohibit coal exploration in designated areas and can restrict the use of a person who holds a licence upon giving reasonable notice.

---

[1] [SBC 2004] C. 15 (the "*Coal Act*")
[2] *Coal Act*, s. 9(1)(a)
[3] *Coal Act*, s. 16(1)
[4] *Coal Act*, s. 2(1)
[5] *Coal Act*, s. 2(2)
[6] *Coal Act*, s. 3
[7] *Coal Act*, s. 2(3)
[8] Supra note 5
[9] Supra note 7

(b) Coal Licence Application Process

A person proposing to explore for and develop coal in British Columbia must first apply to the Minister for a coal licence[10]. After receipt of a coal licence application, tenure numbers are issued and the applications are then plotted on coals maps which are maintained by the Mineral Titles Office. The Minister conducts a land status of the application area to determine if the coal rights are held by the Crown. If the application pertains to Crown owned coal, land referrals are sent out to numerous provincial and federal government agencies and aboriginal groups[11] in the application area.

The Minister uses the information compiled from its own review and the responses received from various applicable provincial and federal government agencies and interested aboriginal groups in determining whether to issue the coal licence. If a coal licence is issued, the issued licences are plotted on the coal maps, and the application tenures are removed.

(c) Rights under Coal Licences

Coal licences provide the holder with the following rights:

(a) exclusive rights to:

(i) explore for and develop coal on the licence location;

(ii) with the approval of the chief inspector appointed under the *Mines Act*[12], to mine and remove those quantities of coal the licencee may reasonably require for testing, to a maximum of 100,000 tonnes;

(b) the entitlement to explore for and develop only that coal which is located within the boundaries (continued vertically downward) of the licence location; and

(c) the entitlement to:

(i) enter, occupy and use the surface of the location of the licence for the purpose of developing coal on that location;

(ii) subject to entering into an agreement in the form of a free use permit or a licence to cut as stipulated under the *Forest Act*[13], to use and remove timber that was present on the location at the time of the entering of such agreement; and

[10] *Coal Act*, s. 12
[11] See below for further discussion on aboriginal matters pertaining to coal tenures
[12] [RSBC 1996] Chapter 293 (the "*Mine Act*")
[13] [RSBC 1996] Chapter 157 (the "*Forest Act*")

(iii) the non-exclusive right to use sand, gravel and rock from the location for use on the location for the purposes of construction that has been approved under the *Mines Act* without the necessity of obtaining under the *Land Act*[14] a licence, lease, permit or other authorization.[15]

A coal licence is valid for a term of one year from the date of its issue.[16] The licence is renewable for further one year terms provided the licencee complies with all provisions under the *Coal Act* and the licence.[17] Applications to extend the term of a coal licence must be made by the licencee prior to expiry of the licence and be accompanied by the applicable application fee, rental fee (currently $7.00 per ha. increasing to $10.00 per ha. after five years) and certain data respecting the exploration, development and production of coal as set out in the Coal Act Regulations[18]. If a licencee has not applied to extend the term of a coal licence prior to the expiry of such licence, the licencee may still apply to extend the term of the licence provided that the application is made not more than 30 days after the expiry of the licence and such application is accompanied by an additional late application fee.

Coal licences will expire if renewal applications are not made in accordance with the provisions set forth above. The Ministry has authority to suspend operations, refuse to renew a coal licence, or terminate a licence due to a licencee's failure to comply with the *Coal Act*, the terms of the licence, the *Mines Act* or any permits issued thereunder. A restriction on the use of surface rights may be imposed by the British Columbia government should the Minister under the *Coal Act* consider that the surface area is or contains a cultural heritage resource or is so situated that it should be used for purposes other than mining. Lands may also be expropriated under the *Park Act*.[19]. In addition, an area of coal land may, by government regulation, be designated as coal land reserve in which case unless the regulation provides otherwise, exploration, development or the production of coal may not be carried out on a coal land reserve and no permit, license or lease will be issued for a coal land reserve.

(d) Coal Leases

A coal lease is required when an operation moves to its production phase. To apply for a coal lease, a licencee must submit an application to the Minister which includes:

(a) the prescribed application fee;

(b) a prescribed rent in respect of the location;

(c) a plan and description of the location under section 17 of the *Coal Act*; and

---

[14] [RSBC 1996] Chapter 245 (the "*Land Act*")
[15] *Coal Act*, s. 9.
[16] *Coal Act*, s. 13(1).
[17] *Coal Act*, s. 13(2).
[18] B.C. Reg. 78/2008
[19] [RSBC 1996] Chapter 344

(d) a plan of operations showing the exploration. development and production to be carried out on the location during the term of the lease, supported by the date, feasibility studies and other information the Minister may require to evaluate the application.[20]

If the Minister is satisfied that the coal lease application is made in accordance with the requirement under the *Coal Act*, the Minister must issue a lease, containing the terms and conditions required by the Minister to the applicant.[21]

(e) Rights under Coal Leases

Coal leases issued under the *Coal Act* provide the holder with the following rights:

(a) subject to (b) below, the lessee has the exclusive right, in accordance with the terms of the lease and the *Coal Act* to explore for and produce coal on the location of the lease. Such use must be in accordance with works plans approved under the *Mines Act*;

(b) subject to (c) below, the lessee does not acquire under a coal lease any rights, title or interest in the surface areas of the location of the lease. The right to use the surface requires approval of work plans under the *Mines Act*; and

(c) if the surface area of the lease location is legally and beneficially held by the Crown and is used or occupied by the lessee, such lessee is entitled:

(i) enter, occupy and use the surface of the location of the licence for the purpose of developing coal on that location;

(ii) subject to entering into an agreement in the form of a free use permit or a licence to cut as stipulated under the *Forest Act*, to use and remove timber that was present on the location at the time of the entering of such agreement; and

(iii) the non-exclusive right to use sand, gravel and rock from the location for use on the location for the purposes of construction that has been approved under the *Mines Act* without the necessity of obtaining under the *Land Act* a licence, lease, permit or other authorization.

Subject to the provisions of the *Coal Act*, a coal lease is valid for the term requested by the application, not to exceed 30 years from the date of issuance.[22] The lease can be extended for term as requested by the lessee, not to exceed 15 years provided that the holder has complied with the terms of the lease and the *Coal Act*.[23] Applications to extend the term of a

[20] *Coal Act*, s. 18.
[21] *Coal Act*, s. 18(3).
[22] *Coal Act*, s. 19(1).
[23] *Coal Act*, s. 19(2).

coal lease must be made by the lessee prior to expiry of the lease and be accompanied by the applicable application fee, rental fee and certain data respecting the exploration, development and production of coal as set out in the Coal Act Regulations.[24] Rental fees must be paid to the Ministry in advance of the year in which they are payable. The Ministry has discretion despite the provisions of a coal lease, if requested by the lessee, to extend the term of the lease on any terms and conditions deemed appropriate.

If, in the opinion of the Ministry, a lessee is in default of the lease by reason of not complying with:

(a) any provision of the lease or the *Coal Act*;or

(b) any provision of the *Mines Act* or a permit issued under it,

then the Ministry may issue a notice to the lessee specifying the breach and may require the lessee to cure the default within a certain period of time. If the lessee fails to remedy the breach, to the satisfaction of the Ministry, within the period of time provided in the notice, then the Ministry may:

(a) suspend the operation of the lessee until such default is remedied;

(b) refuse to renew the lease until the breach is remedied; and

(c) after failure to remedy the default during the period of suspension noted in (a) above, to cancel the lease.

In addition to obtaining a coal lease, in order to commence mining surface rights must be negotiated and a *Mines Act* permit obtained. The principal conditions to a *Mines Act* permit is that the project has completed its provincial (obtained an Environmental Assessment Certificate from the British Columbia Environmental Assessment Office) and federal Canadian (Ottawa) environmental assessments and has had an acceptable mine plan developed.

The permit process also involves initially establishing terms of reference for the environmental and social impact assessment, public hearings and acceptance by local and aboriginal peoples. The mining licenses and permits issued in respect of a mine may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. As a condition of the mine permits and mine permit amendments issued the British Columbia government requires that reclamation security deposits be provided in amounts representing the estimated maximum liabilities for restoration and closure for each project.

We have attached as Schedule "B" to this Report a table outlining the key environmental legislation applicable to operating a mine in British Columbia. This table does not include all environmental legislation that may be applicable to specific projects or facilities

[24] *Coal Act*, s. 19(3).

such as the federal *Canadian Environmental Assessment Act* (Canada). Additionally proposed developments in northeast British Columbia may be affected due to an ongoing and proposed plan to protect caribou, an identified species at risk under the *Species at Risk Act* (Canada).

There are other various laws governing prospecting, development, land resumptions, production taxes (*Mineral Tax Act*), labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local communities, which are beyond the scope of this Report.

## 8. Aboriginal Issues in British Columbia

The Supreme Court of Canada has determined that there is a legal obligation on the Provincial Crown and Her Majesty the Queen in Right of Canada (the "**Federal Crown**", and together with the Provincial Crown, the "**Crown**") to consult with aboriginal people before approving any activity that might have an adverse effect on their aboriginal or treaty rights. This consultation may lead to a requirement that there be some accommodation – such as a change in project design – in order to mitigate the impact of the project on those rights.

Since mining activities require many government approvals, and since mining activities almost always have some potential to effect asserted or established aboriginal rights, or treaty rights, this means that the Crown – that is, both the Provincial and Federal regulatory agencies – will be consulting with aboriginal groups in relation to mining activity. This consultation will be required at every stage of a project when a permit or other approval is required, from initial exploration work to final closure of a mine.

The Licence Applications are located in an area of the British Columbia that was settled by Treaty 8.

The initial signatories entered into Treaty 8 in 1899, and subsequently other aboriginal groups whose traditional territories were covered by the area of Treaty 8 joined – or "adhered"- to Treaty 8 after that initial signing. An initial assessment of the aboriginal groups whose traditional territories were in the area of the Licence Applications suggests that the relevant aboriginal groups that the Crown will be obliged to consult with are McLeod Lake Indian Band, West Moberly First Nations, and Saulteau First Nation, all of whom are parties to Treaty 8.

The provisions of Treaty 8 are relatively straightforward. Basically all of the aboriginal groups were allotted reserve lands, which effectively belong to the specific aboriginal group, with the right to continue to hunt, fish and trap throughout the rest of the area of Treaty 8, subject to the Crown's right to 'take up' land outside of the reserves for other purposes, including mining.

Although the duty to consult is owed by the Crown and not the proponent, the proponent is frequently engaged in the consultation process as certain 'procedural aspects' of consultation are expressly or implicitly delegated by the Crown to proponents.

If an aboriginal group believes that it was not consulted with adequately by the Crown, then it may challenge a permit or authorization in the courts on that basis. Such court challenges may result in project delays, or potentially put the project at risk of proceeding at all.

In addition to the delegation of procedural aspects of consultation to proponents, there is also a general expectation that proponents will seek to engage with the aboriginal groups in the vicinity of their projects as part of a 'social licence', or because of 'best practices' such as the guidelines set out by the Mining Association of Canada ("**MAC**") under Towards Sustainable Mining ("**TSM**"). TSM is mandatory for members of MAC, and has just been adopted by the Mining Association of BC.

The law and practice involving aboriginal and treaty issues is a rapidly evolving area and the rules surrounding what will constitute adequate consultation, and what accommodation might be required in any circumstance, are not yet clear.

In practice, there is a general expectation that a proponent will attempt to enter into some form of agreement with the aboriginal groups in the vicinity of the project, and that such an agreement will provide for benefits to the aboriginal communities. These benefits might be an enhanced opportunity for jobs and contracting for its members, but may also involve direct financial payments or other economic consideration from the proponent to the aboriginal groups. Generally speaking, the expectation of direct financial payments is most often associated with a project that is in commercial production rather than at the exploration stage. Although such agreements between proponents and aboriginal groups are not legally required, they are becoming common.

## 9. Consent

For the purpose of section 716 of the Corporations Act 2001 (Cth), McMillan LLP, consents to being named as Canadian legal advisers to the offer in the Prospectus (including for the purposes of this consent the electronic form of the Prospectus) and for the inclusion of the Report in the Prospectus, in the form and context in which it is named and for inclusion of this Report in the form and context in which it appears.

McMillan LLP has not authorised the issue of the Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any other part of the Prospectus.

McMillan LLP has not withdrawn this consent prior to lodgement of the Prospectus with the Australian Securities & Investments Commission.

Yours very truly,

McMillan LLP

**Schedule "A"**
**to the**
**Report of McMillan LLP**
**Dated September 14, 2011**

| OWNER | TENURE TYPE | TENURE NO. | TENURE STATUS | MINING DIVISION | PRIMERY MAP | SECONDARY MAP | AREA | Plotted on Map |
|---|---|---|---|---|---|---|---|---|
| Resolve Coal Pty Ltd. | Coal Licence Application | 417873 | Good Standing | Liard | 0930098 | 094B008 | 1500 ha | Yes |
| Resolve Coal Pty Ltd. | Coal Licence Application | 417874 | Good Standing | Liard | 0930098 | | 300 ha | Yes |
| Resolve Coal Pty Ltd. | Coal Licence Application | 417875 | Good Standing | Liard | 093P013 | 094P003 | 1350 ha | Yes |
| Resolve Coal Pty Ltd. | Coal Licence Application | 417876 | Good Standing | Liard | 093P013 | | 450 ha | Yes |

**Schedule "B"**
**to the**
**Report of McMillan LLP**
**Dated September 14, 2011**

Applicable Environmental Legislation

| AUTHORITY | DESCRIPTION | PROJECT FACILITIES | PURPOSE & LEGISLATION |
|---|---|---|---|
| EAO | Environmental Assessment Certificate | All | Providing environmental approval in principle and specifying conditions for the project. — *Environmental Assessment Act (British Columbia)* |
| MEMPR | Permit Approving the Mine Plan and Reclamation Program | Pits, waste dumps, tailings impoundment, mine infrastructure, construction and reclamation plan, gravel pits | Proving approval for the conceptual life of mine construction, operations, and reclamation and closure plan, and the detailed 5-year mine and reclamation plans. Geotechnical approval of engineering designs for dams and waste embankments — *Mines Act (British Columbia)* |
| MEMPR | Coal Lease | Pits, waste dumps plantsite, tailings impoundment, minesite infrastructure | Providing approval for development and operation of a mine on Crown Land — *Coal Act (British Columbia)* |
| MOE | Water Licences | Sediment ponds, dams, surface withdrawals | Required on some projects to authorize diversion, impoundment, withdrawal and use of surface water — *Water Act (British Columbia)* |
| MOE | Section 9 Approvals | Diversion and Collection Ditches, Culverts | Authorizing diversion of water, in-stream construction — *Water Act (British Columbia)* |
| MAL (ILMB) | Crown Land Lease or License of Occupation | Facilities off Coal Licenses and Leases, except roads | Authorizing use of Crown Land for infrastructure development — *Land Act (British Columbia)* |

| AUTHORITY | DESCRIPTION | PROJECT FACILITIES | PURPOSE & LEGISLATION |
|---|---|---|---|
| MOFR | Special Use Permit | Roads off Coal Licenses and Leases | Granting tenure for development, upgrading and operational management of roads by mining companies — *Forest & Range Practices Act (British Columbia)* |
| MOE | Air Permit | All facilities, plus point discharges | Authorizing air emissions and approving dust management plans — *Environmental Management Act (British Columbia)* |
| MOE | Effluent Permit | Settling ponds, sewage treatment facilities | Authorizing discharge of treated water from mine sites — *Environmental Management Act (British Columbia)* |
| MOE | Wildlife Permit under Section 19 of Wildlife Act | General – project sites | Removal of beaver dams, lowering water table, beaver removal if required — *Wildlife Act (British Columbia)* |
| MOFR | License to Cut | All facilities | Authorizing harvest of merchantable timber – *Forest Act (British Columbia)* |
| MOFR | Road Use Permit | Forest Service Road | Authorizing use of a Forest Service Road — *Forest Act (British Columbia)* |
| NHA (PRRD HA) | Potable Water Permit | All drinking water systems | Authorizing construction and operation of a water works system — *Health Act, Safe Drinking Water Regulation (British Columbia)* |
| MOE | Contaminated Site Management | Any contaminated area, i.e. Fuelling and Maintenance Shop areas | Defining methods and standards for site management — *Contaminated Sites Act & Regulation (British Columbia)* |

| AUTHORITY | DESCRIPTION | PROJECT FACILITIES | PURPOSE & LEGISLATION |
|---|---|---|---|
| MOE | Facility Design/Operations | Hazardous Waste Storage, Fuel Facilities | Providing guidance on design and operation of fuel and Hazardous waste storage facilities — *Environmental Management Act, Hazardous Waste Regulation (British Columbia)* |

Abbreviations:

| | |
|---|---|
| EAO | Environmental Assessment Office |
| MEMPR | Ministry of Energy, Mines and Petroleum Resources |
| MOFR | Ministry of Forests and Range |
| MOE | Ministry of Environment |
| MAL | Ministry of Agriculture Lands |
| ILMB | Integrated Land Management Bureau |
| PRRD | Peace River District |
| NHA | Northern Health Authority |

# 10. Financial Information

## 10.1 Introduction

This section of the Prospectus contains a summary of the historical and pro forma financial information regarding SPD, Resolve Coal and the pro forma Group (being the combined SPD and Resolve Coal) assuming completion of the Share and Option Exchange Agreement and the capital raising. The financial information should be read in conjunction with the summary of significant accounting policies in section 10.4 and other information contained in the Prospectus.

The historical and pro forma financial information in this section comprises:

- the audited balance sheet of SPD as a single entity as at 30 June 2011;
- the unaudited balance sheet of Resolve Coal as at 4 July 2011. The 30 June 2011 balance sheet disclosed $1 capital and $1 cash and the 4 July 2011 balance sheet discloses Resolve Coal's financial position following completion of the Asset Sale Agreement with Resolve Geo in which it acquired various coal interests together with plant and equipment and employee liabilities;
- pro forma balance sheets of the combined Group (SPD and Resolve Coal) based on the audited balance sheet of SPD at 30 June 2011 and the unaudited balance sheet of Resolve Coal at 4 July 2011, adjusted to include the acquisition of Resolve Coal, capital raised as part of this Prospectus (both Minimum Subscription and Maximum Subscription) and other adjustments as summarised in section 10.3(a).

The financial information has been prepared in accordance with the measurement and recognition principles of the applicable Accounting Standards and other mandatory professional reporting requirements in Australia. It is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports that are prepared in accordance with the Corporations Act.

## 10.2 Actual and Pro forma Balance Sheets

The audited balance sheet of SPD at 30 June 2011 and the unaudited balance sheet of Resolve Coal at 4 July 2011 and the pro forma balance sheets of the combined Group (SPD and Resolve Coal) are set out below. The pro forma balance sheets are presented on the basis of both Minimum Subscription and Maximum Subscription and assume completion of the Share and Option Exchange Agreement and certain other transactions summarised in section 10.3(a). Selected notes supporting this information are also included in section 10.3.

| | Notes | Actual | | Pro forma Group | |
|---|---|---|---|---|---|
| | (section 10.3) | 30 Jun 11 (Audited) | 4 Jul 11 (Unaudited) | | |
| **$'000** | | SPD | Resolve Coal | Minimum Subscription | Maximum Subscription |
| **Current Assets** | | | | | |
| - Cash & cash equivalents | (b) | 2,131 | - | 17,849 | 22,599 |
| - Receivables | (a)(2) | 636 | - | 16 | 16 |
| - Investments | (a)(2) | 1,278 | - | - | - |
| | | 4,045 | - | 17,865 | 22,615 |
| **Non Current Assets** | | | | | |
| - Plant & equipment | | - | 454 | 454 | 454 |
| - Exploration expenditure | | - | - | - | - |
| | | 4,045 | 454 | 18,319 | 23,069 |
| **Current Liabilities** | | | | | |
| - Trade & other payables | | 180 | - | 180 | 180 |
| - Provision – employee benefits | | 44 | 107 | 151 | 151 |
| | | 224 | 107 | 331 | 331 |
| **Net Assets** | | 3,821 | 347 | 17,988 | 22,738 |
| **Equity** | | | | | |
| - Contributed equity | (c) | 5,472 | 347 | 17,736 | 22,446 |
| - Options reserve | (d) | - | - | 741 | 781 |
| - Accumulated losses | (c)(3) | (1,651) | - | (489) | (489) |
| | | **3,821** | **347** | **17,988** | **22,738** |

## 10.3 Notes to Actual and Pro Forma Balance Sheets

(a) **Pro forma Adjustments**

The following adjustments have been made to present the pro forma balance sheets of the combined Group (SPD and Resolve Coal), assuming both Minimum Subscription (of $15 million) and Maximum Subscription (of $20 million), to reflect the impact as if the transactions outlined below had taken place:

(1) *Share consolidation* – The restructure of SPD's share capital by way of a consolidation of the issued capital on a 1 for 5 basis. This transaction has no impact on the pro forma balance sheets.

(2) *Realisation of SPD's investments and receivables* – SPD holds minority investments in two ASX listed companies and an unlisted investment trust, and a 70% interest in private company (FGW). The investment in FGW is to be sold in accordance with the FGW Disposal Deed for $1 consideration plus payment of $620,000 in full satisfaction of all debts owed by FGW and its related bodies corporate to SPD. For pro forma purposes, recovery of the loan receivable is assumed to have occurred. The Directors intend to realise the other investments ($1,278,000) before completion of the Share and Option Exchange Agreement.

(3) *Acquisition of Resolve Coal* – The acquisition of Resolve Coal by the issue of 64,100,633 Shares in SPD, 23,309,321 Performance Shares and the granting of 27,566,034 Employee Options and 10,024,013 Employee Performance Options in SPD to Optionholders in accordance with the Share and Option Exchange Agreement.

For accounting purposes, the acquirer has been identified as Resolve Coal and the business combination referred to as a reverse acquisition (see summary of significant accounting policies at section 10.4). Accordingly, the pro forma Group incorporates the assets and liabilities of SPD and of Resolve Coal as if the Group was headed by Resolve Coal. At acquisition date the assets and liabilities of Resolve Coal (being the acquirer for accounting purposes) are recorded at their book value and the assets and liabilities of SPD (being the acquiree for accounting purposes) are recorded at fair value (see also note (3) under Notes – Contributed Equity below). Furthermore, for pro forma purposes, the employee options and employee performance options in SPD have been treated as part of the purchase price of Resolve Coal (see Notes – Contributed Equity below).

(4) *Shares issued under the Offer for New Shares* – The issue of 25,000,000 New Shares in SPD at 60 cents each to raise $15 million (the Minimum Subscription) or up to a maximum of 33,333,333 New Shares at 60 cents each to raise $20 million (the Maximum Subscription).

(5) *Cost associated with the Offer* – Estimated costs associated with the capital raising and the acquisition of Resolve Coal are assumed to have been paid. Equity transaction costs include estimated cash payments of $1,010,000(Minimum Subscription) or $1,260,000 (Maximum Subscription), plus $741,000 at the Minimum Subscription or $781,000 at the Maximum Subscription, being the estimated fair value of 2,745,750 options (at the Minimum Subscription) or 2,891,584 options (at the Maximum Subscription) granted to Bell Potter as part of the capital raising mandate (see Share Based Payments at section 10.3(d) below).

(6) *Costs associated with the acquisition of Resolve Coal* – SPD had incurred costs of $130,000 at 30 June 2011 in respect of the acquisition of Resolve Coal which have already been expensed. The Directors estimate further costs of $170,000 for due diligence, preparation of the explanatory memorandum, etc. For pro forma purposes these additional costs are assumed to have been incurred and expensed in the pro forma Group balance sheets.

(b) **Cash and Cash Equivalents**

The movement in cash as reflected in the pro forma balance sheets at 30 June 2011 is shown as follows:

| | Section 10.3(a) | Minimum Subscription | Maximum Subscription |
|---|---|---|---|
| | | $'000 | $'000 |
| Cash at 30 June 2011 - Actual | | 2,131 | 2,131 |
| Pro Forma adjustments: | | | |
| - Realisation of investments & receivables | (2) | 1,898 | 1,898 |
| - Proceeds from issue of New Shares | (4) | 15,000 | 20,000 |
| - Payment for costs associated with the Offer | (5) | (1,010) | (1,260) |
| - Payment of costs associated with the acquisition of Resolve Coal | (6) | (170) | (170) |
| | | **17,849** | **22,599** |

(c) **Contributed Equity**

The movement in contributed equity as reflected in the pro forma balance sheets at 30 June 2011 is shown below:

| | Notes | Issued Shares | | Options over Shares (4) | | Group |
|---|---|---|---|---|---|---|
| | 10.3(c) | Ordinary ('000) | Performance ('000) | Ordinary ('000) | Performance ('000) | $000 |
| Actual – 30 June 2011 - SPD | (1) | 34,500 | - | - | - | 5,472 |
| - Share reconstruction | (1) | 6,900 | - | - | - | - |
| - Resolve Coal | (2)(3)(4) | 64,101 | 23,309 | 27,566 | 10,024 | 347 |
| - Reverse acquisition – SPD | (5) | - | - | - | - | 4,140 |
| Minimum Offer | | 25,000 | - | - | - | 15,000 |
| **Transaction costs** | | | | | | |
| - cash | | | | | | (1010) |
| - options | | | | 2,162 | 583 | (741) |
| **Minimum Subscription** | | **96,001** | **23,309** | **29,728** | **10,607** | **17,736** |
| - Oversubscriptions | | 8,333 | - | - | - | 5,000 |
| **Transaction costs** | | | | | | |
| - cash | | | | | | (250) |
| - options | | | | 146 | - | (40) |
| **Maximum Subscription** | | **104,334** | **23,309** | **29,874** | **10,607** | **22,446** |

**Notes – Contributed Equity**

(1) *SPD Issued Capital* – As at 30 June 2011, SPD had on issue 34.5 million Shares. The Shares are to be consolidated on a 1 for 5 basis, resulting in SPD having 6.9 million Shares on issue immediately prior to the acquisition of Resolve Coal.

(2) *Resolve Coal* – SPD is to acquire Resolve Coal in exchange for the issue of 64,100,633 Shares and 23,309,321 Performance Shares and the granting of 27,566,034 Employee Options and 10,024,013 Employee Performance Options. The acquisition has been accounted for as a reverse acquisition in accordance with AASB3 "Business Combinations" – see 10.3(c)(5) below.

(3) *Performance Shares* – each Performance Share will convert into one Share upon Resolve Coal attaining a JORC compliant inferred resource of at least 650 million tonnes of coal in respect of one or more of the Coal Assets on or before 30 September 2014. If the Milestone is not achieved by the Milestone Date, all of the Performance Shares held by each holder will automatically convert into one Share (in total).

(4) *Options* – options over ordinary shares relate to both employee options and the Bell Potter options (see section 10.3(d) below).

The Employee Options have a nil exercise price and are exercisable at anytime between the date that is 18 months following issue (or an earlier date if there is a change in control event) and five years after that date subject to the employee being employed by Resolve Coal at the time of exercise. The Employee Options are considered to form part of the purchase price of Resolve Coal.

Employee Performance Options granted to the Optionholders are also considered to form part of the purchase price of Resolve Coal and have the same terms and conditions as the Employee Options except that they are subject to a performance hurdle (the Milestone) and may be exercised after the date that is the earlier of the date that is 24 months following issue if the Milestone has been achieved, an earlier date if there is a change in control if the Milestone has been achieved and the date the Milestone is achieved if it occurs after 24 months following issue but before the Milestone Date. The Employee Performance Options expire five years after 24 months following issue, subject to certain events of early expiry.

Broker Performance Options granted to Bell Potter have the same terms and conditions as the Broker Options set out in sections 10.3(d) below (but with the addition of the performance hurdle).

(5) *Reverse acquisition* – SPD – The pro forma adjustment reflects the deemed issue of shares to acquire SPD. The fair value of SPD's net assets at 30 June 2011, per the audited balance sheet, was $3,821,000 and the fair value of the deemed consideration was assessed at $4,140,000 (being the issue of 6,900,000 shares at 60 cents each). The difference between the deemed purchase price ($4,140,000) and fair value of the net assets acquired ($3,821,000) represents the cost to Resolve Coal of the listing status. This amount ($319,000) has been written off in the pro forma Group financial statements as it does not qualify for recognition as an intangible asset.

(d) **Share Based Payments**

Details of the options to be granted to Bell Potter are summarised below. The fair value of the options granted to Bell Potter has been included in the pro forma adjustments as a cost associated with the Offer (see section 10.3(a)(5)), together with a corresponding option reserve.

| | | | | | | No. of Options Granted | |
|---|---|---|---|---|---|---|---|
| **Option Type** | **Grant Date** | **Vesting Date** | **Expiry Date** | **Exercise Price** | **Estimated Value per Option** | **Minimum Subscription** | **Maximum Subscription** |
| Broker Options (No performance hurdle) | 30 Oct 11 | 30 Oct 11 | 30 Oct 14 | 90c | 27c | 2,162,417 | 2,308,251 |
| Broker Performance Options (Performance hurdle) | 30 Oct 11 | 30 Oct 11 | 30 Oct 14 | 90c | 27c | 583,333 | 583,333 |

The fair value at grant date was estimated using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant and expected price volatility of the underlying share and the risk-free interest rate for the term of the option. For the purpose of this exercise, the fair value of the performance options is assumed to equate to the fair value of the options without any performance hurdle.

The model inputs for options granted included:

- expected price volatility of SPD's Shares (post acquisition): 80%;
- expected dividend yield: 0%;
- risk free interest rate: 4.42%.

The expected price volatility is based on the historical volatility of similar listed companies (in coal exploration) and the remaining life of the options, adjusted for any expected changes to future volatility due to publicly available information.

## 10.4 Summary of significant accounting policies

The significant accounting policies that have been adopted in the preparation of the financial information are summarised below.

(a) **Basis of preparation**

The financial information has been prepared in accordance with the recognition and measurement (but not all the disclosure) requirements of applicable Australian Accounting Standards and other mandatory financial reporting requirements in Australia, using the accrual basis of accounting including the historical cost convention and the going concern assumption.

The financial information is presented in Australian dollars.

As noted the financial information has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

(b) **Principles of consolidation and reverse acquisition accounting**

The purchase method of accounting is used to account for business combinations (acquisitions). Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

For all business combinations an acquirer is identified as the entity that obtains control of the combining entities. The acquirer for accounting purposes need not be the legal parent entity. In certain situations, the subsidiary can be the acquirer where the relevant factors include that its shareholders (pre-acquisition) have control post-acquisition. This is referred to as a reverse acquisition. The Group has identified a reverse acquisition, such that SPD is the legal parent entity of the Group and presents consolidated financial information but Resolve Coal, which is a legal subsidiary of SPD, is deemed to be the accounting parent of the Group.

Accordingly, the pro forma Group financial information incorporates the assets and liabilities of SPD and Resolve Coal as if the Group were headed by Resolve Coal. At acquisition date, the assets and liabilities of SPD (the acquiree for accounting purposes) are recorded at fair value while assets and liabilities of Resolve Coal (the acquirer for accounting purposes) are recorded at their book value.

(c) **Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(d) **Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated using the straight-line method to allocate the costs of property, plant and equipment, net of their residual values, over their estimated useful lives.

(e) **Impairment of Assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The

recoverable amount is the higher of an asset's fair value less costs to sell and value is use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) **Employee Benefits – provision**

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# 11. Investigating Accountant's Report

**DMR CORPORATE**

DMR Corporate Pty Ltd A.C.N. 063 564 045
470 Collins Street
Melbourne Telephone (03) 9629 4277
Victoria 3000 Facsimile (03) 9629 4598
Australia Web www.dmrcorporate.com.au

22 September 2011

The Directors
Strategic Pooled Development Limited
Level 1
139 Collins Street
Melbourne, VIC 3000

Dear Sirs,

**Re: Independent Accountant's Report**

## 1. Introduction

**1.1** This report has been prepared at the request of the Directors of Strategic Pooled Development Limited ("Strategic" or "the Company") for inclusion in a Prospectus to be dated on or about 23 September 2011.

**1.2** The Prospectus seeks to raise a minimum of $15,000,000 (before the costs of the issue) through the issue of 25,000,000 shares at $0.60 per share. The Company may accept oversubscriptions of up to a further $5,000,000 through the issue of a further 8,333,333 shares.

**1.3** The primary purpose of the offer is to provide sufficient resources to fund the exploration and development of the tenements held by Resolve Coal Pty Ltd ("Resolve").

**1.4** Expressions defined in the Prospectus have the same meaning in this report.

## 2. Background Information

**2.1** Strategic was incorporated on 1 November 1993 and on 5 November 1993 it was registered as a pooled development fund ("PDF"). The Company was listed on the ASX in February 1994 and its primary objectives were to assist in the development of smaller companies and to minimise investment risk by investing across a diverse portfolio of companies.

**2.2** The Company relinquished its PDF registration in December 2007 and became a normal investment company.

**2.3** In July 2008 Strategic endeavoured to reposition itself in the capital market by implementing a strategy of focusing its investment activities in the area of asset management based businesses. The implementation of this strategy required additional capital and Strategic issued 5,750,000 fully paid ordinary shares at $0.1625 per share to an entity associated with Messrs. Stephen Sedgman and John Walker, both directors of Strategic.

**2.4** On 5 July 2011 Strategic announced, subject to shareholders approval:

- the disposal of its interests in Fisher Graham Wealth Pty Ltd; and
- the acquisition of all of the issued capital of Resolve.

**2.5** Resolve is a private company that holds a portfolio of tenements prospective for coal located in Queensland, Australia as well as applications for Queensland coal exploration permits and applications for Canadian coal licences.

**2.6** The consideration payable by Strategic to the Resolve shareholders is to be satisfied by the issue of:

- 64,100,633 fully paid Strategic shares;
- 23,309,321 performance shares;
- 27,566,034 employee options; and
- 10,024,013 employee performance options.

**2.7** The performance shares will convert into fully paid Strategic shares provided that Resolve attains a JORC compliant inferred resource of at least 650 million tonnes of coal within its portfolio of tenements by 30 September 2014. Should this condition not be satisfied, the performance shares will convert into one fully paid Strategic share (in total).

**2.8** The employee options are exercisable for fully paid Strategic shares (at a nil exercise price) anytime between their vesting date (18 months after their issue) and five years after vesting.

**2.9** The employee performance options are exercisable for fully paid Strategic shares (at a nil exercise price) anytime between their vesting date (24 months after their issue) and five years after vesting. The employee performance options will lapse unless Resolve attains a JORC compliant inferred resource of at least 650 million tonnes of coal within its portfolio of tenements by 30 September 2014.

## 3. Basis of Preparation

**3.1** This report has been prepared to provide investors with information in respect of the financial information set out in Section 10 of the Prospectus.

**3.2** This report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, the risks associated with the investment, nor form the basis of an expert's opinion with respect to a valuation of the Company or a valuation of the share issue price of $0.60 per share.

**3.3** DMR Corporate Pty Ltd ("DMR Corporate") has not been requested to consider the prospects for the Company nor the merits and risks associated with becoming a shareholder and accordingly have not done so, nor purports to do so except for our report dated 16 September 2011 prepared pursuant to Section 611 of the Corporations Act 2001 ("the Act") and ASX Listing Rule 10 and distributed to the Strategic shareholders with the Notice of General Meeting. DMR Corporate accordingly takes no responsibility for those matters nor for any matter or omission in the Prospectus, other than responsibility for this report.

## 4. Scope of Report

**4.1** We have been requested to prepare an Independent Accountant's Report covering the following financial information:

- Strategic's audited historical balance sheet as at 30 June 2011;
- Resolve's unaudited historical balance sheet as at 4 July 2011;
- a Pro-Forma Group balance sheet reflecting the actual financial position as at the above dates, the merger of Strategic and Resolve and the proposed capital raising under the Prospectus; and
- the accounting policies applied by Strategic in preparing the financial information set out in Section 10 of the Prospectus.

**4.2** The directors have prepared and are responsible for the historical financial information. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the full Prospectus.

**4.3** The actual historical financial information set out in Section 10 of the Prospectus has been extracted from the accounting records of Stategic and Resolve, which are unaudited at the date of this report.

## 5. Scope of Review

### 5.1 Historical Financial Information

We have conducted a review of the historical financial information in accordance with Australian Auditing Standard ASRE 2405 'Review of Historical Financial Information Other than a Financial Report'. We conducted such enquiries and performed such procedures as we considered necessary for the purposes of this report. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

(i) a review of the work papers, accounting records and other documents;

(ii) analytical procedures on the historical information;

(iii) A comparison of the consistency in the application of the recognition and measurement requirements (but not the disclosure requirements) of the Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company; and

(iv) Enquiry of directors and management.

### 5.2 Pro-forma Financial Information

We have conducted a review of the pro-forma financial information by conducting:

(i) a review of the assumptions used to compile the pro-forma balance sheet and the supporting notes; and

(ii) a review of the adjustments made to the historical financial information.

**5.3** The review procedures conducted were substantially less in scope than would be required in an audit, thus the level of assurance provided is less than would be given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the historical and Pro-Forma financial information included in Section 10 of the Prospectus.

In relation to the information presented in Section 10 of the Prospectus:

(1) support by another person, corporation or an unrelated entity has not been assumed;

(2) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this report; and

(3) the going concern basis of accounting has been adopted.

## 6. Statements

### 6.1 Statement on Historical Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the actual historical financial information, as set out Section 10 of the Prospectus, does not present fairly the financial position of the Company and Resolve, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company.

### 6.2 Statement on the Pro-Forma Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the Pro-Forma financial information, as set out in Section 10 of the Prospectus, does not present fairly the financial position of the Group, in accordance with the basis of preparation and the assumptions set out in Section 10 of the Prospectus and with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions had occurred on that date.

## 7. Subsequent Events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

## 8. General Advice Warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

## 9. Declarations

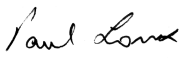
**9.1** DMR Corporate does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. The directors of DMR Corporate do not hold nor have any interest in any ordinary shares or options of the Company.

**9.2** The Company has agreed to indemnify DMR Corporate and its staff from any claims arising out of any misstatement or omission in any material supplied by the Company.

**9.3** DMR Corporate consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

**Derek Ryan**
Director



**Paul Lom**
Director

# 12. Directors, Management and Corporate Governance

At the conclusion of the necessary regulatory and shareholder approval process, the Directors will retire and be replaced with the New Directors.

The new board will be Gordon Saul as managing director, Dave Mathew as chairman and Greg Clark and Michael Howard as non-executive directors.

Gordon Saul (aged 47) is owner and founder of Resolve Geo. He is a qualified geologist and has been actively involved in the mining sector for 25 years and in particular the coal industry over the past 20 years. Gordon is a foundation shareholder of listed companies Bandanna Energy Ltd and Tigers Realm Coal Ltd.

Dave Mathew (aged 62) is a geologist by training with 30 plus years' experience in international coal and coal seam gas exploration and development and investment with start-up companies. Currently a director of Exoma Energy Ltd and past executive director of Arrow Energy (China) and a past President of the Australian Coal Seam Gas Council. Dave was also a co-founder of CH4 Moranbah Gas Project in Queensland, co-founder of DJ Mining Pty Ltd and was a founding shareholder in Bandanna Energy Ltd. He has held executive management positions with BHP Billiton Ltd and has a PhD in Coal Geology from the University of South Carolina, USA.

Greg Clark is the CEO of Mincom Pty Ltd, the global leader in software solutions for the mining industry, as well as the industry leader in Enterprise Asset Management. He has over 23 years' experience in mining software solutions, advanced logistics, supply chain management, security, computer operating systems, SAAS hosting operations and enterprise scale applications. During his career, Greg has successfully grown two technology start ups into significant global brands and derived a significant turnaround at Mincom. Prior to his appointment at Mincom, he was President and CEO of E2open, an IBM Distinguished Engineer, and Vice President at IBM's Tivoli Systems.

Michael Howard has over 30 years' experience in the mining industry, having worked in various capacities with BHP and related companies from 1973 through to 2000 (including Manager – OK Tedi Liaison, and General Manager of a mine and a smelter complex). Over 20 of those years were spent in engineering roles for both open cut and underground coal mines throughout Australia and overseas. More recently, Michael has been involved in mineral exploration and project evaluation from Greenfields projects through to mature operations in a number of commodities. Michael also has experience in the development, financing and managing of projects for entities such as ASX listed Midwest Corporation Limited, holding the position of COO of Midwest between 2004 and 2006. Michael is currently a director of Meridian Minerals Limited, a position he has held for 3 years.

**Corporate Governance**

The Company is a disclosing entity listed on ASX. Details of the Company's policies regarding corporate governance, trading policy and associated matters are disclosed in its annual report previously lodged with, or announced to, ASX. These policies will be updated and/or amended, as appropriate, to suit the new business of the Company.

# 13. Risk Factors

An investment in the Company is speculative and prospective Applicants should consider the risk factors described in this section, together with the information contained elsewhere in this Prospectus, before deciding whether to apply for New Shares. Coal exploration and development has inherent risks which may have a material effect on the Company's future performance and the value of its Shares. If any of these risks and uncertainties actually occur, the Company's business, operations, financial position and the work that could be performed with the money raised from the Offer may be materially and adversely affected. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated.

Applicants should consider whether the New Shares offered by this Prospectus are a suitable investment having regard to their own individual investment objectives, financial circumstances and the risk factors set out below.

This list is divided between general risks and risks relating to the Company and is not exhaustive. If in any doubt, Applicants should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

## 13.1 General Risks

Risk factors which may affect the Company and its business in general include:

(a) **General investment risks**: there are general risks associated with any investment and the share market. The price of shares may rise or fall depending on a range of factors beyond the Company's control and which are unrelated to the Company's financial performance. Movements on international stock markets, interest rates and exchange rates, together with domestic and international economic conditions, inflation rates, commodity supply and demand, government taxation, interest rates and royalties, legislation and other policy changes may affect the stock market generally and the market for the Shares in particular.

(b) **Possible volatility of share price**: the market price of shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. New Shares issued under this Prospectus carry no guarantee in respect of profitability, dividends, return on capital or the price at which they may trade on ASX.

(c) **Government policy**: changes in government, monetary policies, taxation and other laws and actions (including such matters as access to lands and infrastructure and compliance with environmental regulations) can have a significant influence on the outlook for companies and returns to investors.

(d) **Application of and changes to accounting policies**: accounting standards and policies may change in the future especially in relation to the application of the International Financial Reporting Standards. Such changes may have an adverse impact on the Company's future reported financial results.

(e) **War and terrorist attacks**: the outbreak of war or occurrence of terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. There could also be a resultant effect on the Company's operations, financial performance, share price and the ability of the Company to raise any needed additional equity or debt funding.

## 13.2 Risks relating to the Company

There are a number of specific risks associated with the Company which may adversely affect the Company's financial position, prospects and price of its Shares. The specific risk factors include:

(a) **Exploration**: the future success of the Company and the value of its Shares will depend on the results of exploration for, and development of, coal resources. There are inherent risks in these activities. No assurances can be given that the money spent on these activities will result in discoveries or development prospects that will be economically viable. Exploration and development activities may be curtailed, delayed or cancelled as a result of mechanical failure, shortages or delays in the delivery of equipment. While exploration activities may encounter deposits, these may not result in drilling sites that achieve commercially viable results. The size of the resources, extraction costs and recovery rates are key factors in determining commercial viability. At this point, the Company does not have resources that comply with the JORC Code and there is no guarantee that the Company will ever have resources that comply with the JORC Code.

(b) **Tenure rights**: rights to the Coal Assets carry with them various obligations with regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area. A number of the coal tenements are yet to be granted and are still held as exploration permit applications. One of these applications is a competitive application. There is therefore a risk that this tenement will not be granted. If this tenement application or any other tenement applications are not granted or the previously granted coal tenements are not renewed, as appropriate, the Company's business plans and exploration programs may require modification. However, the Company is not aware of any reason why the granting or renewal of the term of any of the other tenements would be denied.

(c) **Material agreement completion**: the Company has contracted under the Share and Option Exchange Agreement to acquire, amongst other things, all the shares in Resolve Coal from Saul Geological. All the shares in Resolve Coal at the date of this Prospectus are held by Resolve Geo. A condition precedent of the Share and Option Exchange Agreement is that Resolve Geo transfers those shares in Resolve Coal to Saul Geological. There is a risk that if such transfer does not occur the condition precedent is not satisfied and SPD would not acquire the shares in Resolve Coal, and the Share and Option Exchange Agreement would not be completed. However, Gordon Saul and Resolve Geo have informed the Company that this transfer will be effected shortly, and in any event before completion of the Acquisition.

(d) **Additional funding requirements**: the Company intends to use the proceeds of the Offer to fund drilling and work programs as discussed in section 6. However, additional funding may be required to complete these programs and any development of the Coal Assets beyond these programs will involve significant capital expenditure and will require substantial additional funding. There is no guarantee that such funding, whether debt, equity or otherwise, will be obtained or available on favourable terms, or at all. If such funding is not obtained, the Company will be unable to proceed with the development of the Coal Assets. These matters, along with other matters set out in section 13, indicate the existence of uncertainty that may cast doubt about the Company's ability to continue as a going concern and to realise its assets and extinguish its liabilities in the normal course of business and at the amount stated in the Company's pro forma statement of financial position in section 10.

(e) **Infrastructure access:** any coal that may be produced from the Company's future possible mining operations would need to be transported to customers by a combination of road, rail and sea. A number of factors could disrupt these transport services, including natural events or disasters. Resolve Coal has had some discussions with potential providers of rail and port capacity. To date, no agreements have been entered into and there is a possibility that Resolve Coal or the Company will not be able to enter into arrangements with rail carriers and port owners for use of services or will not be able to enter into arrangements on favourable terms. In the event that the Company progresses the development and commercialisation of any of the Coal Assets towards production, it will also require the use of both power and water infrastructure. Due to high demand for power and water access, there is a risk that the Company may not be able to procure access to power and water which could have a material adverse impact on the Company.

(f) **Coal quality:** coal type and quality is known to vary across a wide spectrum of parameters. No guarantee can be given as to the type of coal that could ultimately be produced at any of the exploration areas described in section 5.4. If the coal quality of those areas is lower than currently anticipated, the Company's prospects, value and financial conditions may be materially adversely affected.

(g) **Environmental risks**: national and local environmental laws and regulations directly impact on the exploration and development activities of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for substantial costs for environmental rehabilitation, damage control and losses for the violation of such standards. The Company proposes to minimise these risks by seeking to ensure that the Company complies with applicable environmental laws and regulations and where possible by carrying appropriate insurance.

(h) **Adverse weather conditions**: adverse weather conditions and natural disasters such as flood, drought, earthquake, tornado or hurricane may directly impact the Company's operations. For example, severe flooding could interrupt the Company's exploration and development activities. This may have an adverse impact on the Company's business and financial results.

(i) **Operations**: exploration and development activities may be affected by unforeseen operational failures and technical difficulties and breakdowns and repairs may be required to plant and equipment, resulting in significant delays. Industrial and environmental accidents, industrial disputes and force majeure events may also affect the Company's operations. Additional operational risks inherent in the coal exploration and development industry may include failure to locate or identify resources, failure to achieve estimated resources in exploration and unexpected shortages or increase in the cost of consumables, spare parts, plant and equipment, development drilling, facilities construction or increases in engineering and other consulting fees.

(j) **Commodity price fluctuations**: coal prices fluctuate in response to the economic climate and market forces of supply and demand. The fluctuations in prices may adversely impact on the Company’s exploration and development activities.

(k) **Commercialisation**: if the Company discovers commercial quantities of coal and is able to produce or recover commercial quantities of such coal, there is no guarantee that the Company will be able to successfully transport this output to commercially viable markets, or sell the output to customers, to achieve a commercial return, thus affecting the Company's financial position.

(l) **Financing**: additional funding may be required for further exploration, appraisal and development of the exploration permits which the Company holds and, if the Company discovers commercial quantities of coal, the production of coal. In such event, appropriate funding options will be determined depending on the circumstances. In order to meet planned exploration and development expenditure, and targets and to expand its business, the Company may be required to raise additional equity and/or debt capital in the future or to farm out all or part of its tenement interests or reduce its commitments. There is no assurance that it will be able to raise such capital if it is required, or that the terms associated with providing such capital will be satisfactory to the Company.

(m) **Insurance**: the Company intends to maintain insurance with ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that such insurance coverage will be able to be obtained at reasonable rates or that any coverage will be adequate and available to cover any claims.

(n) **Management**: in a small to mid sized exploration and development organisation with few executives, the progress of the Company could be influenced by the loss of a key executive. The impact resulting from such an event would be dependent on the quality of the replacement.

(o) **Land access**: access to land is critical for coal exploration and development to succeed. In the first instance, a company can only explore if it holds or has rights to tenements on which it is able to engage in that activity. Access to tenements may be secured by purchase, option, joint venture or original application over open ground, pursuant to the relevant state or national mining laws and regulations. Once tenement rights are held, access to land for exploration and development purposes and, if exploration proves successful, the grant of tenure can be affected by land ownership, including freehold land, pastoral lease and, in Australia, native title or claims under any native title legislation and, in Canada, aboriginal or treaty rights.

(p) **Regulatory approvals**: the Company will require government regulatory approvals for its operations and must comply with those approvals and other applicable laws, regulations and policies. This may from time to time affect timing and scope of work to be undertaken.

(q) **Strategic cropping land**: The recent policy framework regarding strategic cropping land designation announced by the Queensland Government will have impact on the Jeffries Creek and Gindie tenements. The specific requirement to "make good" land impacts within 50 years, and the requirement to only effect underground mining by utilising Bord and Pillar methods, have been factored into the planning for these projects.

(r) **Resource estimates**: resource estimates are estimates based on knowledge, experience and industry practice. Estimates are a necessary practice, and though valid when originally calculated, may change significantly and cease to be accurate when new information becomes available through additional fieldwork and analysis. Resource estimates are by their nature imprecise and to an extent depend on interpretation, which may result in inaccuracies. This may result in changes to exploration and development, and if the Company discovers commercial quantities of coal, any production plans, which may adversely affect the Company's operations.

(s) **Contractors**: the contractors and consultants engaged by the Company may experience insolvency or other managerial failure leading to further cost and delay as the Company appoints alternative contractors.

(t) **Potential acquisitions**: as part of its business strategy, the Company may make acquisitions of significant investments in complementary companies, projects or assets. Any such future transactions would be accompanied by the risks commonly encountered in making such acquisitions.

(u) **Competition**: the Company competes with other coal exploration and development companies. Some of these companies have greater financial and other resources than the Company and as a result may be in a better position to compete for future business opportunities. There is no assurance that the Company can compete effectively with these companies.

(v) **Litigation**: the Company is presently not involved in litigation and the Company is not aware of any basis on which any litigation against the Company may arise. However, there is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.

(w) **Third parties**: various aspects of the Company's future performance and profitability are dependent on negotiations or attitudes of third parties. Depending on the outcomes of these negotiations or discussions, the Company's performance and operations may be affected.

(x) **Mineral Resource Rent Tax**: the Federal Government has proposed a mineral resource rent tax applying to companies involved in the exploitation of non-renewable resources in Australia. It is possible that this and future tax policy changes will adversely affect the Company and its operations.

(y) **Carbon Tax**: the Federal Government has announced a framework to implement a carbon tax on companies involved in the creation of greenhouse gas emissions from 1 July 2012. It is possible that this tax may make the price of coal less competitive and thus adversely affect the Company and its operations.

# 14. Material Agreements

**Introduction**

The Directors consider that certain agreements are significant or material to the Company or are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for New Shares pursuant to this Offer.

The main provisions of the Material Agreements are summarised below.

## 14.1 Share and Option Exchange Agreement

The Share and Option Exchange Agreement is a conditional agreement between the Company, Saul Geological, the Optionholders and Resolve Coal under which the Company is entitled, subject to the conditions outlined below, to acquire all of the issued shares and employee options in Resolve Coal.

The Share and Option Exchange Agreement was originally executed on 4 July 2011, but was amended by two subsequent deeds of amendment on 12 August 2011 and 15 September 2011. For the purposes of this Prospectus, a reference to the Share and Option Exchange Agreement is a reference to the original agreement as amended by the subsequent deeds of amendment.

As consideration for all of the issued shares and employee options in Resolve Coal, the Company will issue to Saul Geological 64,100,633 Shares and 23,309,321 Performance Shares at the same issue price in the prospectus, namely $0.60 per share (on a post consolidation basis), and will issue to the Optionholders a total of 27,566,034 Employee Options and 10,024,013 Employee Performance Options. As at the date of this Prospectus, Saul Geological does not hold shares in Resolve Coal, but a condition precedent in the Share and Option Exchange Agreement (outlined below) provides that all the shares in Resolve Coal be transferred by Resolve Geo to Saul Geological. Resolve Geo and Gordon Saul have informed the Company that such transfer will occur shortly, and in any event before completion of the Share and Option Exchange Agreement to satisfy the condition precedent and to enable Saul Geological to transfer the shares in Resolve Coal to the Company as intended under the Share and Option Exchange Agreement.

The Employee Options will have a nil exercise price and will be exercisable for Shares in the Company at any time between the date that is 18 months following issue and five years after that date, subject to certain rights of earlier exercise and to certain circumstances of earlier expiry.

The Employee Performance Options are on the same terms as the Employee Options except that they can only be exercised if the Company achieves the Milestone by the Milestone Date, and that they may be exercisable after the date that is the earlier of the date that is 24 months following issue if the Milestone has been achieved, an earlier date if there is a change in control if the Milestone has been achieved and the date the Milestone is achieved if it occurs after 24 months following issue, but before the Milestone Date. The Employee Performance Options expire five years after 24 months following issue, subject to certain events of early expiry (see section 14.4).

The acquisition of the share and employee options is subject to a number of conditions precedent which the Company and Saul Geological must satisfy before the sale and purchase can occur. These conditions precedent include:

(a) Saul Geological carrying out such due diligence investigations in relation to the Company as it considers necessary;

(b) the Company carrying out such due diligence investigations in relation to Resolve Coal and the Coal Assets as it considers necessary;

(c) Resolve Coal restructuring its asset, share and option holdings by :

(1) completing the Asset Sale Agreement with Resolve Geo;

(2) transferring the 111,302,007 shares and 40,473,457 performance shares in Resolve Coal held by Resolve Geo to Saul Geological; and

(3) issuing 47,864,658 employee options (without performance hurdles) and 17,405,330 employee options (with performance hurdles) in Resolve Coal to the Optionholders under an employee share option plan;

(d) the Company undertaking a capital raising and raising a minimum amount of $15 million;

(e) the Company calling a general meeting of the Company's shareholders to consider the resolutions set out in the Notice of Meeting and the passing of certain of those resolutions;

(f) the Company satisfying the requirements of Chapters 1 and 2 of the ASX Listing Rules and ASX approving the admission of the Shares issued to Saul Geological under the Share and Option Exchange Agreement to quotation on ASX; and

(g) the issued share capital of the Company being no more than 6,400,932 Shares (post consolidation) plus the number of New Shares issued under the prospectus offer.

The Company, Saul Geological and the Optionholders may, by agreement, waive any of conditions (c) to (f). Conditions (a) and (g) can only be waived by Saul Geological and the Optionholders while condition (b) can only be waived by the Company.

If the conditions precedents are not satisfied or waived by 30 November 2011, except condition (a) which must be satisfied by 18 July 2011 and condition (b) which must be satisfied by 1 August 2011, the Share and Option Exchange Agreement will terminate on 1 December 2011, or, in the case of condition (a), 19 July 2011, or, in the case of condition (b), 2 August 2011. Conditions (a) and (b) were satisfied by their due date and all parts of condition (c) have been satisfied or waived.

Completion of the Share and Option Exchange Agreement is also conditional upon the Company entering into an agreement with FGG for the Company to sell all of the issued capital it holds in FGW and FGG repaying $620,000 to the Company in full satisfaction of the debts owed by Fisher Graham Wealth and its related bodies corporate to the Company. The Company has entered into such an agreement.

Until completion of the Share and Option Exchange Agreement, expected to be five business days after satisfaction of the conditions precedent or any other date agreed to in writing by the parties, Saul Geological must ensure that Resolve Coal:

(a) maintains the granted coal tenements in good standing;

(b) does not surrender or relinquish the Coal Assets;

(c) does everything required by the Share and Option Exchange Agreement, the Asset Sale Agreement, the *Mineral Resources Act 1989* (Qld), the *Coal Act*, S.B.C. 2004, Ch 15 (Canada) or other laws;

(d) complies with all laws affecting the Coal Assets;

(e) pays all taxes, fees, work commitments and other payments due and owing in relation to the Coal Assets;

(f) does not enter into any arrangements regarding the Coal Assets without the Company's consent, such consent not to be unreasonably withheld; and

(g) does not dispose of, grant or purport to grant an encumbrance, security interest or option over any of the Coal Assets, or agree to do so, without the Company's consent.

Until completion, the Company must ensure that it does not, unless necessary to ensure the conditions precedent are satisfied as soon as possible, or with the written consent of Saul Geological:

(a) alter its capital structure in any way;

(b) make any distributions to its shareholders;

(c) alter its constitution or pass any shareholders' resolution;

(d) dispose of or agree to dispose of any assets valued at over $50,000 (except its interest in listed ASX companies or unlisted managed funds that invest in ASX listed companies);

(e) acquire, or agree to acquire, any asset valued at over $50,000;

(f) borrow or lend any money or any kind or incur any liability or commitment of more than $25,000 for a duration more than one month, or a lesser amount or shorter period;

(g) encumber any assets;

(h) pay any money from a bank account, except in the ordinary course of carrying on its business where the amount is no more than $150,000, except for transfers between bank accounts of the Company and related bodies corporate;

(i) engage or dismiss any employee, contractor or officer or enter into or vary any contract with an officer or contractor or enter into any other contract valued at over $50,000; or

(j) commence any legal or similar proceedings except for recovery of unpaid trade creditors.

Until completion, Saul Geological and the Optionholders must ensure that they do not, without the written consent of the Company, deal with the shares or options to be acquired by the Company at completion, or act contrary to a warranty given to the Company.

Upon completion, the Company must:

(a) approve and issue the 64,100,633 Shares and 23,309,321 Performance Shares to Saul Geological and issue the 27,566,034 Employee Options and 10,024,013 Employee Performance Options under an employee share option plan to the Optionholders;

(b) cause Gordon Saul, and two nominees to be advised by Gordon Saul, to be appointed as directors of the Company;

(c) if section 124-728 of the *Income Tax Assessment Act 1997* applies to Saul Geological or an Optionholder, provide a fully signed notice of choice to Saul Geological or the relevant Optionholder as applicable; and

(d) accept all documentation given to the Company by Saul Geological and the Optionholders in relation to share and option certificates, corporate, financial and other records of Resolve Coal.

Upon completion, Saul Geological must transfer its 111,302,007 ordinary shares and 40,473,457 performance shares in Resolve Coal to the Company and the Optionholders must transfer the 47,864,658 employee options (without performance hurdle) and 17,405,330 employee options (with performance hurdle) in Resolve Coal to the Company. The Company is liable to pay all stamp duty assessable under the Share and Option Exchange Agreement.

The Company, Saul Geological and the Optionholders have given a number of warranties for the benefit of each other under the Share and Option Exchange Agreement including:

(a) if the party is a company, it is a company limited by shares and it is duly incorporated;

(b) it is not insolvent or subject to a personal insolvency arrangement and has not had any receivers, managers or liquidators appointed;

(c) it has power and authority to enter into the Share and Option Exchange Agreement and the Share and Option Exchange Agreement is binding on it; and

(d) it is able to perform its obligations under the Share and Option Exchange Agreement.

Saul Geological and the Optionholders have given the following warranties for the benefit of the Company under the Share and Option Exchange Agreement:

(a) the 111,302,007 ordinary shares and 40,473,457 performance shares in Resolve Coal are fully paid;

(b) no person has any undisclosed rights to be issued shares in, or rights or options in or has any securities that are convertible to shares in Resolve Coal;

(c) they have legal and beneficial ownership of their respective shares and employee options free and clear of all encumbrances; and

(d) on completion the Company will own all of the issued capital and rights to be issued capital in Resolve Coal.

Saul Geological has given a number of warranties in relation to Resolve Coal for the benefit of the Company under the Share and Option Exchange Agreement, including:

(a) Resolve Coal is duly incorporated, is not insolvent and has power and authority to enter into the Share and Option Exchange Agreement;

(b) Resolve Coal has good title to the granted Queensland tenements, free and clear of all encumbrances;

(c) Resolve Coal has, to the best of Saul Geological's knowledge, complied with all laws affecting the Coal Assets;

(d) Resolve Coal has, to the best of Saul Geological's knowledge, not done, or omitted to do, anything that may result in a cancellation of any of the Coal Assets or diminish their value;

(e) there is no subsisting litigation or proceedings or any disputes or claims likely to give rise to such litigation or proceedings affecting the Coal Assets;

(f) Resolve Coal has made all material data and information in its possession relating to the Coal Assets available to the Company and has not knowingly omitted from such data and information anything material to the Coal Assets;

(g) Resolve Coal owns or has enforceable rights to use all intellectual property acquired from Resolve Geo under the Asset Sale Agreement;

(h) each item of plant and equipment held by Resolve Coal is in good standing and good repair;

(i) Resolve Coal and Saul Geological have or will disclose all material contracts to which Resolve Coal is a party and documents relating to material contracts, and Resolve Coal does not know of any circumstance likely to give rise to a material default under a material contract;

(j) Resolve Coal has disclosed to the Company all material information about the Coal Assets and its business and all such information given is true complete and not misleading;

(k) each employee of Resolve Coal is employed solely by Resolve Coal and Saul Geological does not know of any circumstance that may give rise to a dispute between Resolve Coal and its employees; and

(l) Resolve Coal has complied with all taxation laws.

Until completion, Saul Geological is under an obligation to immediately notify the Company in writing of any circumstances having, or reasonably likely to have, a material adverse effect on any of the Coal Assets, any breach of warranty given by Saul Geological or the Optionholders of which Saul Geological is, or becomes aware and any circumstance reasonably likely to require substantial capital expenditure in relation to any of the Coal Assets.

Until Completion, the Company is under an obligation to immediately notify Saul Geological in writing of any breach of warranty given by the Company of which the Company is or becomes aware.

Neither the Company, Saul Geological nor any of the Optionholders will be liable for any breach of warranty unless they are given written notice of the claim for breach of warranty within 12 months of completion of the Share and Option Exchange Agreement or legal proceedings are commenced within 12 months of the claim being notified to the relevant party. The Company must not make a claim against Saul Geological or the Optionholders, and Saul Geological and the Optionholders must not make a claim against the Company, for breach of warranty for an amount of loss less than $500,000.

The maximum amount for which Saul Geological may be liable to the Company and for which the Company may be liable to Saul Geological and the Optionholders for a breach of warranty is $33 million. The maximum amount for which an option holder may be liable to the Company for a breach of warranty is 50% of the market value of the option holder's employee options.

Subject to the above and other limits on claims and acknowledgements by the parties (such as the parties having made and relied on searches investigations and enquiries on each other and the parties cannot make a claim in relation to a matter which should have been uncovered or discovered by such searches undertaken), the Company must indemnify Saul Geological and the Optionholders, and Saul Geological and the Optionholders must indemnify the Company, for any loss, damage or liability arising in connection with:

(a) a breach of the Share and Option Exchange Agreement;

(b) a breach of warranty; or

(c) any information or data provided by or on behalf of the party in connection with the Share and Option Exchange Agreement which is incomplete, inaccurate, false or misleading.

## 14.2 Asset Sale Agreement

The Asset Sale Agreement is an agreement between Resolve Coal and Resolve Geo under which Resolve Geo agrees to sell and assign, and Resolve Coal agrees to buy and take assignment from Resolve Geo of, the Sale Assets.

Completion of the Asset Sale Agreement occurred on 4 July 2011 upon which date Resolve Geo gave to Resolve Coal:

(a) absolute ownership of the Sale Assets, subject only to the transfers receiving the necessary ministerial approvals;

(b) signed releases of each interest of any third party interest affecting the Sale Assets;

(c) the documentation required to transfer the Sale Assets to Resolve Coal including the documents required to stamp and register the transfer of the Sale Assets to Resolve Coal and a letter seeking ministerial approval in relation to the granted tenements; and

(d) all title documents and records held by Resolve Geo necessary to vest full ownership, title and possession of the Sale Assets in Resolve Coal.

In consideration for the assignment of the Sale Assets, Resolve Coal issued 111,302,006 ordinary shares and 40,473,457 performance shares in Resolve Coal to Resolve Geo. Under the Share and Option Exchange Agreement, it is a condition precedent that these shares in Resolve Coal be transferred from Resolve Geo to Saul Geological (refer to section 14.1).

Resolve lodged the documentation on 5 July 2011 required to transfer the granted tenements from Resolve Geo to Resolve Coal. Pending the transfer being approved, Resolve Geo must not deal with the granted tenements without the consent of Resolve Coal and must take all action as registered holder of granted tenements as Resolve Coal directs.

As tenement applications cannot be transferred under the *Mineral Resources Act 1989* (Qld) following completion, Resolve Geo is holding the tenement applications on trust for Resolve Coal. Resolve Geo has agreed to continue working towards and do all things necessary to obtain the grant of these tenement applications. Resolve Geo has also agreed not to deal with the tenement applications during this time without the consent of Resolve Coal, to take all action as applicant under the tenement applications as Resolve Coal directs and also to immediately notify Resolve Coal of any correspondence received in relation to the tenement applications.

Immediately upon the grant of the tenement applications, Resolve Geo must do all things necessary to effect the transfer of each such tenement to Resolve Coal.

In the event that Resolve Geo breaches any of the above obligations, Resolve Coal and Resolve Geo have agreed that Resolve Coal will be entitled to specific performance of Resolve Geo's obligations as well as any other remedies available at law or in equity.

At completion Resolve Geo also assigned the benefit of all contracts relating to the Sale Assets to Resolve Coal and Resolve Coal accepted the assignment and assumed the obligations of Resolve Geo under those contracts. Resolve Coal has also agreed to offer all employees of Resolve Geo employment from completion on substantially the same terms as their employment with Resolve Geo.

Resolve Geo and Resolve Coal have given a number of warranties for the benefit of each other under the Asset Sale Agreement including:

(a) it is a company limited by shares and it is duly incorporated;

(b) it is not insolvent or subject to a personal insolvency arrangement and has not had any receivers, managers or liquidators appointed;

(c) it has power and authority to enter into the Asset Sale Agreement and the Asset Sale Agreement is binding on it; and

(d) it is able to perform its obligations under the Asset Sale Agreement.

Resolve Geo has given a number of specific warranties for the benefit of Resolve Coal under the Asset Sale Agreement, including:

(a) it is duly incorporated, is not insolvent and has power and authority to enter into the Asset Agreement;

(b) it has good title to the granted tenements free and clear of all encumbrances;

(c) it has, to the best of Resolve Geo's knowledge, complied with all laws affecting the Sale Assets;

(d) it has, to the best of Resolve Geo's knowledge, not done, or omitted to do, anything that may result in a cancellation of any of the Sale Assets or a diminishing of their value;

(e) there is no subsisting litigation or proceedings or any disputes or claims likely to give rise to such litigation or proceedings affecting the Sale Assets;

(f) it has made all material data and information in its possession relating to the Sale Assets available to Resolve Coal and has not knowingly omitted from such data and information anything material to the Sale Assets;

(g) it owns or has enforceable rights to use all intellectual property to be assigned to Resolve Coal;

(h) each item of plant and equipment held by Resolve Geo is in good standing and good repair;

(i) it has or will disclose all material contracts to which Resolve Geo is a party and all documents relating to material contracts and Resolve Geo does not know of any circumstance likely to give rise to a material default under a material contract;

(j) it has disclosed to Resolve Coal all material information about the Sale Assets and its business and all such information given is true complete and not misleading; and

(k) each employee of Resolve Geo is employed solely by Resolve Geo and Resolve Geo does not know of any circumstance that may give rise to a dispute between Resolve Geo and its employees.

Resolve Geo will not be liable for any breach of warranty unless Resolve Geo is given notice of the claim for breach of warranty within 12 months of completion of the Asset Sale Agreement or legal proceedings are commenced within 12 months of the notification of the claim. Resolve Coal must not make a claim against Resolve Geo for breach of warranty for an amount of loss less than $500,000. The maximum amount for which Resolve Geo may be liable to Resolve Coal for a breach of warranty is $33 million.

## 14.3 FGW Disposal Deed

Under the FGW Disposal Deed, the Company will transfer the FGW Shares to FGG for a payment of $1.00 for the FGW Shares plus a payment of $620,000 in full satisfaction of all debts owed by FGW and its related bodies corporate to SPD. The FGW Disposal Deed is subject to:

(a) the Company calling a general meeting of the Company's shareholders and the passing of a resolution to approve the disposal of the FGW Shares under the FGW Disposal Deed;

(b) completion under the Share and Option Exchange Agreement;

(c) all other shareholders in FGW waiving all rights of pre-emption in relation to the FGW Shares and any tag along and/or drag along rights in relation to the FGW Shares; and

(d) all other shareholders in FGW executing a new shareholders agreement.

Settlement of the FGW Disposal Deed will take place within seven days of completion under the Share and Option Exchange Agreement or such earlier day as the parties agree. At settlement, the Company must deliver an executed transfer of the FGW Shares in registrable form in favour of FGW or its nominee together with the share certificate for the FGW Shares as well as any papers, documents or other property of Fisher Graham Wealth in the possession or control of the Company as at settlement. FGW must then pay the $1.00 consideration to the Company as well as $620,000 which the Company and Fisher Graham Wealth have agreed shall be in full satisfaction of all debts owed by Fisher Graham Wealth and its related bodies corporate to the Company.

## 14.4 Employee Option Plan

An employee option plan was adopted by the Company on 22 July 2011 (**Plan**) to facilitate the issue of employee options, including the Employee Options and the Employee Performance Options to be issued to the Optionholders under the Share and Option Exchange Agreement. As at the date of the Prospectus, there are no other employee options on issue under the Plan and there are no immediate intentions to issue employee options under the Plan, other than the Employee Options and the Employee Performance Options.

The Employee Options and Employee Performance Options granted to an Optionholder under the Plan entitles the Optionholder to acquire Shares:

(a) during the exercise period;

(b) subject to any other terms and conditions specified in the offer for that employee option; and

(c) provided any acquisition of Shares does not breach the Corporations Act or the Listing Rules.

The Employee Options and Employee Performance Options to be issued to the Optionholders will have a nil exercise price.

The Optionholder may exercise the Employee Options at any time during the exercise period, which is the period beginning on the exercise date and ending on the expiry date. If the expiry date occurs before the exercise date, there is no exercise period and the options cannot be exercised.

The exercise date for the Employee Options is the earlier of 18 months from the issue date and a date immediately prior to a change of control event involving the Company, such as the Company becoming a subsidiary of another corporation, the sale of the Company's business or any other reorganisation of the Company which results in the Optionholder ceasing to be a full or permanent part-time employee of the Company or its related bodies corporate, occurring six months or more after the issue date.

The exercise date for the Employee Performance Options is the earlier of the date that is 24 months following issue if the Milestone has been achieved, an earlier date if there has been a change in control and the Milestone has been achieved and the date the Milestone is achieved if it occurs after 24 months following issue but before the Milestone Date.

The expiry date is the date five years after the exercise date for the Employee Options, or the date that is five years after 24 months following issue for the Employee Performance Options, subject to certain circumstances of earlier expiry such as:

| **Event** | **Expiry Date** |
|---|---|
| The Optionholder's employment is lawfully terminated for fraud or serious misconduct | On the date the termination takes effect, as defined in the Optionholder's written employment agreement |
| The Optionholder resigns from employment | On the last day of employment |
| The Optionholder's employment is lawfully terminated for reasons other than fraud or serious misconduct | On the last day of employment, unless the Company in its absolute discretion and subject to any conditions it sees fit decides that the employee option should not expire or sets a later expiry date |
| The Optionholder dies or becomes totally and permanently disabled | Immediately, unless the Company in its absolute discretion and subject to any conditions it sees fit decides that the employee option should not expire or sets a later expiry date |

In the instances specified in the table above, if the expiry date is earlier than the exercise date, the Employee Options are forfeited and can never be exercised.

In addition, if a takeover offer is made to acquire all of the shares and options in the Company within six months following the issue of the Employee Options, and the board recommends that the Shareholders and Optionholders accept the takeover offer, then the Employee Options will lapse on the last date of acceptances for the takeover offer if the Optionholder does not elect to participate in the takeover offer by that date.

If the Optionholder provides the Company with a valid notice of exercise for the Employee Option and is entitled to exercise the Employee Option under the Plan, the Company must approve and register the issue of a Share to the Optionholder within 15 business days. The Company must also apply to ASX for official quotation of each Share issued pursuant to a valid exercise of Employee Option immediately upon the issue of that Share or earlier if required by the Listing Rules.

A Share issued pursuant to the exercise of an Employee Option will rank equally with all existing fully paid ordinary shares in the capital of the Company.

The Employee Options are also subject to the following:

(a) if there is a reconstruction of the issued capital of the Company, the number of Employee Options, the exercise price or both will be adjusted to the extent necessary to comply with the Listing Rules;

(b) the Optionholder shall not be entitled to participate in dividends on shares, or subject to (c) below, new issues of securities by the Company, until a Share is issued pursuant to the exercise of the Employee Option under the Plan;

(c) if a pro rata bonus or cash issue of securities is awarded by the Company, the Company in its absolute discretion may adjust the number of Shares over which an Employee Option exists and the exercise price in the manner specified in the Listing Rules, in which case written notice will be given to the Optionholder;

(d) Employee Options may not be transferred except in some change of control instances;

(e) the Company must not apply to ASX for official quotation of the Employee Options; and

(f) the Optionholder has no interest in any Share until the Employee Option is exercised and a Share is issued.

In addition, there are restrictions on the disposal of Shares issued as a result of exercising an Employee Option until the earlier of:

(a) five years after the date of issue of the Employee Options;

(b) the date of cessation of employment; and

(c) a change of control event involving the Company occurring.

The Plan is administered by the board in accordance with the Plan rules. Subject to the Listing Rules (if applicable), the terms of the Plan may only be varied by:

(a) an ordinary resolution of the members of the Company in a general meeting;

(b) the requirement to comply with the Corporations Act in the case of minor amendments; or

(c) a resolution of the board of the Company to effect technical or non-substantive amendments,

provided that any amendment cannot effect a change to increase the number of Shares to which an Optionholder is entitled or change the exercise period unless required by the Corporations Act or the Listing Rules (if applicable).

In addition, the Plan may be terminated or suspended at any time by the Company, but such suspension or termination will not affect nor prejudice rights of any Optionholder at that time.

## 14.5 Bell Potter Mandate

The Company has entered into a mandate agreement with Bell Potter under which Bell Potter has agreed to act as lead manager to the Offer and use its best endeavours to assist the Company to raise approximately $20 million.

The mandate is subject to a number of conditions precedent which must be completed to Bell Potter's satisfaction before Bell Potter will act as lead manager to the Offer, including:

(a) the Shareholders approving at a general meeting of the Company, the certain resolutions, including some of those outlined in section 15.10;

(b) the opportunity to both participate as an observer in, and review, the due diligence processes and any reports commissioned in relation to the Offer, along with a satisfactory outcome to these processes;

(c) no material change being made to the Company's proposed capital structure and pricing following completion of the Acquisition and Offer as at 30 May 2011 until completion of the Offer, without the prior written consent of Bell Potter;

(d) the Company preparing a prospectus that fully complies with all relevant aspects of the Corporations Act, all relevant ASIC policies, the ASX Listing Rules and the Company's constitution, the terms and contents of which prospectus are to Bell Potter's satisfaction; and

(e) successful lodgement of the prospectus and granting of all necessary ASX and ASIC approvals in accordance with the offer.

As consideration for Bell Potter acting as lead manager to the Offer, the Company has agreed to pay Bell Potter a lead manager fee of 4.5% (plus GST) of the amount raised under the Offer and to grant Bell Potter the Broker Options and the Broker Performance Options.

The Broker Options are such number of options that is equal to 1.75% of the number of securities comprising of the Company's non performance based diluted capital base following the Offer, with each option having an exercise price of $0.90, expire in 3 years from the date the Company's New Shares are admitted for quotation, and are otherwise on usual terms for options of an ASX listed company.

The Broker Performance Options are 583,333 options over Shares that are issued on the same terms as the Broker Options but may only be exercised if the Milestone is achieved by the Milestone Date.

The Company has agreed to indemnify Bell Potter, its related bodies corporate and their respective directors, officers and employees against any claim, loss, liability or expense arising

out of the engagement of Bell Potter, except in instances of wilful misconduct, negligence, breach of contract and/or fraud.

The mandate provides that the mandate may be terminated by either party if the other has committed a material breach of a provision of the mandate. The parties may also terminate the mandate by giving 30 days' notice to the other party. If the mandate is terminated by the Company for reasons other than a material breach of the mandate by Bell Potter, and the Offer that has been considered by the Company and Bell Potter prior to the termination occurs within six months of the date of termination, Bell Potter will be paid the lead manager fee described above.

## 14.6 Performance Shares

The terms and conditions of the Performance Shares are as follows:

(a) (**Performance Shares**) Each Performance Share is a share in the capital of the Company.

(b) (**General Meetings**) The Performance Shares shall confer on the holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders of Performance Shares have the right to attend general meetings of shareholders of the Company.

(c) (**No Voting Rights**) The Performance Shares do not entitle the holder to vote on any resolutions proposed at a general meeting of shareholders of the Company, subject to any voting rights under the Corporations Act or the ASX Listing Rules where such rights cannot be excluded by these terms.

(d) (**No Dividend Rights**) The Performance Shares do not entitle the holder to any dividends.

(e) (**Rights on Winding Up**) Upon winding up of the Company, the Performance Shares may not participate in the surplus profits or assets of the Company, unless and only to the extent that each Performance Share has converted into a Share.

(f) (**Transfer of Performance Shares**) The Performance Shares are not transferable.

(g) (**Reorganisation of Capital**) If at any time the issued capital of the Company is reconstructed, all rights of a holder of Performance Shares will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation.

(h) (**Performance Shares not quoted**) The Performance Shares will not be quoted on ASX.

(i) (**Participation in Entitlements and Bonus Issues**) Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of the Shares such as bonus issues and entitlement issues.

(j) (**Amendments required by ASX**) The terms of the Performance Shares may be amended as necessary by the Directors in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms.

(k) (**No Other Rights**) The Performance Shares give the holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(l) (**Conversion of Performance Shares if Milestone achieved**) Each Performance Share will convert into one Share upon the Company achieving the Milestone on or before the Milestone Date.

(m) (**Conversion of Performance Shares if Milestone not achieved**) If the Milestone is not achieved by the Milestone Date, all of the Performance Shares held by each holder will automatically convert into one Share (in total).

(n) (**After Conversion**) The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (EST) on the date of issue, rank pari passu in all respects with the Shares then on issue and confer rights identical with all other Shares then on issue.

(o) (**Conversion Procedure**) The Company will issue the holder with a new holding statement for Shares as soon as practicable following the conversion of the Performance Shares into Shares.

(p) (**Application to ASX**) Upon conversion of the Performance Shares into Shares in accordance with these terms, the Company must within seven days after the conversion apply for the official quotation on ASX of the Shares arising from the conversion.

# 15. Additional Information

## 15.1 Rights and Liabilities Attaching to Shares

The Company has adopted a constitution of a kind usually adopted by an ASX listed public company. The following is a summary of the key provisions in the constitution, as supplemented by provisions in the Corporations Act, in relation to rights attaching to Shares. The summary is not exhaustive and it does not constitute a definitive statement of the rights attaching to the Shares.

Full details of the rights attaching to Shares are set out in the constitution of the Company, a copy of which can be obtained through ASIC. The New Shares to be issued pursuant to this Prospectus will rank equally with all of the Company's Existing Shares.

(a) **Voting Rights**

At a general meeting each Shareholder present in person or by proxy, company representative or attorney is entitled to one vote on a show of hands. On a poll, every Shareholder present in person or by proxy, company representative or attorney is entitled to one vote for each Share that the Shareholder holds, except in respect of each partly paid share held by the Shareholder, where the Shareholder has a fraction of a vote for each partly paid share he, she or it holds. This is subject to any rights or restrictions attached to any Shares.

A Shareholder is not entitled to vote on a resolution if under the Corporations Act or the Listing Rules the notice specified that the Shareholder must not vote or abstain from voting or his, her or its vote must be disregarded. This may occur, for example, where there is a breach of the Listing Rules or of a restriction agreement. The Shareholder is not entitled to any votes in respect of the Shares while that breach continues.

(b) **General Meetings**

Each Shareholder is entitled to receive notice of and to be present, to vote and to speak at a general meeting of the Company. Further, each Shareholder is entitled to receive all notice, accounts and other documents required to be furnished to Shareholders under the constitution of the Company or the Corporations Act.

(c) **Dividend Rights**

Subject to any special rights or restrictions attached to a Share, the holder of a Share is entitled to the full dividend on the Shares and the holder of a partly paid share is entitled to a proportion of the dividend that corresponds to the proportion paid up on the share.

The Directors may deduct from any dividend payable to or for a Shareholder any money presently payable by the Shareholder to the Company for calls or otherwise in respect of any shares held by the Shareholder.

If Shares are classified as restricted securities in relation to which there is a breach of the Listing Rules or of a restriction agreement, the Shareholder will not be entitled to receive any dividends in respect of the restricted securities while that breach continues.

(d) **Rights on Winding Up**

Subject to any special rights or restrictions attached to Shares, if on a winding up there is not enough assets to repay all capital to Shareholders, the available assets must be

distributed among the Shareholders in proportion to the numbers of shares held by them irrespective of the amounts paid on their respective shares before the winding up began (without the necessity of a call up).

Any amount unpaid on a share is considered property of the Company. Subject to any special rights or restriction attached to shares, on a winding up the liquidator may, with the sanction of a special resolution of Shareholders, distribute among Shareholders the whole or any part of the property of the Company or decide how to distribute the property as between the Shareholder or different classes of Shareholders. At the commencement of the winding up, restricted securities (if Shares), which are subject to restrictions under any restriction agreement entered into by the Company, rank on a return of capital behind all other Shares of the Company.

(e) **Transfer of Shares**

Subject to the constitution of the Company, the Corporations Act and the Listing Rules, Shares in the Company are freely transferable. Shares may only be transferred by a proper instrument in writing delivered to the Company or in compliance with the CHESS rules if a CHESS Approved Security is transferred. Subject to the CHESS Rules, the transferor is deemed to remain the holder of the Shares until the name of the transferee is entered into the Company's register of members.

(f) **Future Increases, Alteration and Reduction of Capital**

The issue of Shares is under the control of the Directors. Subject to restrictions on the issue of Shares to Directors or their associates, the Listing Rules, the constitution of the Company and the Corporations Act, the Directors may issue or otherwise dispose of new Shares on such terms and conditions as they decide.

The Company in general meeting may convert its Shares into a larger or smaller number of Shares, and subject to the Corporations Act and the Listing Rules, the Company may reduce its Share capital and buy-back shares in itself.

(g) **Variation of Rights**

The Company may only modify or vary the rights attaching to any class of Shares with the consent in writing of the holders of at least 75% of the issued Shares of the class or the sanction of a special resolution passed at a meeting of the holders of the issued Shares of that class.

## 15.2 Interests of Directors

As at the date of this Prospectus, the number of Shares in the Company which are held by or on behalf of each Director and their related interests is as follows:

| Director | Shares (pre-consolidation) | Shares (post-consolidation) |
|---|---|---|
| Stephen Sedgman | 6,900,000 | 1,380,000 |
| John Walker | 12,021,296 | 2,404,259 |
| Andrew Kroger | 330,770 | 66,154 |

Subject to Shareholder approval (see section 15.9) the Directors may apply for New Shares

under the Prospectus. As at the date of this Prospectus, no Director has formed a view as to whether he will apply for New Shares.

Interests associated with Gordon Saul are expected to hold approximately 47.76% of the Company after the transaction and capital raising (or 50.92% if the minimum is raised), assuming exercise of all of the Employee Options held by the Optionholders and the Broker Options by Bell Potter, and the Milestone is not achieved.

## 15.3 Directors' remuneration

The Company's constitution provides that all non-executive Directors may be paid remuneration for their services. The aggregate amount of Directors' fees payable by the Company must be presented for approval to the shareholders in general meeting. The level is set at $250,000 in the Company's constitution.

The Company's constitution also provides that the remuneration of the managing director or an executive director may be by way of salary, commission or participation in profits and may from time to time be fixed by the Directors.

Particulars of directors' remuneration for the Directors are:

- Stephen Sedgman (managing director) – base fee of $35,000 per annum plus superannuation of $3,150;
- John Walker (executive director and company secretary) – base fee of $45,000 per annum plus statutory superannuation of $4,050;
- Andrew Kroger (non-executive director) – base fee of $35,000 per annum plus statutory superannuation of $3,150.

It has been proposed that the New Directors (other than Gordon Saul) will be paid directors fees of $100,000 for Dave Mathew as chairman and $50,000 for each of Greg Clark and Michael Howard as non-executive directors (in each case plus statutory superannuation) and will each, subject to shareholder approval at the AGM or other time, be issued with options to subscribe for Shares. The options, if granted, will be exercisable after their vesting date (see below) but before their expiry date (see below) if the director is still a director at the time of exercise and if the performance hurdles (see below) have been met.

| Vesting date | Expiry date | Exercise price | Performance hurdles | Number for Chairman | Number for Non-executive Director |
|---|---|---|---|---|---|
| 30 October 2012 | 30 October 2014 | Nil | None | 200,000 | 100,000 |
| 30 October 2013 | 30 October 2015 | $0.60 | SPD's VWAP being above $1.00 for 30 days between vesting date and expiry date | 200,000 | 100,000 |
| 30 October 2014 | 30 October 2016 | $0.60 | SPD's VWAP being above $1.50 for 30 days between vesting date and expiry date | 200,000 | 100,000 |

It has been proposed that Gordon Saul will be employed for a base salary of $200,000 (plus statutory superannuation) for a term of 3 years.

## 15.4 Related Party Transactions

The Company is not aware of any related party transactions requiring disclosure in the Prospectus other than that:

- one or more of the Directors, the New Directors or their associates may apply for New Shares under this Prospectus, and approval from the Shareholders will be sought for such participation of the Directors, the New Directors and their associates at a general meeting for the purposes of ASX Listing Rule 10.11 (see section 15.10 for additional information on the general meeting);
- the Company has entered into the FGW Disposal Deed (refer to section 14.3 for a summary) with Fisher Graham Group, a company of which Mr Stephen Sedgman and Mr John Walker are directors, with the deed subject to shareholder approval at the general meeting referred to in section 15.10.

Except as set out in this Prospectus, no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director or New Director to induce him to become or to qualify as a Director or New Director or for services provided in connection with the formation or promotion of the Company or the Offer.

Except as set out above or elsewhere in the Prospectus, no Director has, or in the last two years has had, an interest in the formation or promotion of the Company, in property to be acquired by the Company in connection with its formation or promotion, or in the Offer.

## 15.5 Expenses of the Offer

The expenses of the Offer, if completed, are estimated as follows:

| Expense | Minimum ($'000) | Maximum ($'000) |
|---|---|---|
| Broker and Distribution Fees | $675,000 | $900,000 |
| Legal, Advisory, Geological and Accounting Fees | $206,000 | $206,000 |
| Printing and Registry | $55,000 | $76,000 |
| ASX and ASIC Fees | $74,000 | $78,000 |
| TOTAL | $1,010,000 | $1,260,000 |

The above estimates exclude GST.

If the Offer fails to complete, the estimated costs outlayed by the Company for the expenses of the offer is approximately $263,000.

These expenses have been paid or will be paid by the Company.

## 15.6 Litigation

The Company is not involved in any legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company.

## 15.7 Consents

Bell Potter Securities Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as lead manager to the Offer of New Shares under this Prospectus, in the form and context in which it is named.

Piper Alderman has given its written consent to be named in the Prospectus as legal adviser in regard to the Offer, in the form and context in which it is named and for the inclusion of its legal report in the form and context in which it appears.

McMillan LLP has given its written consent to being named in the Prospectus as Canadian legal adviser for the Company in the form and context in which it is named and for the inclusion of its legal report in the form and context in which it appears.

DMR Corporate Pty Ltd has given its written consent to being named in the Prospectus as investigating accountant's for the Company in the form and context in which it is named and the inclusion of its report in the form and context in which it appears.

PKF has given its written consent to being named in the Prospectus as auditor in the form and context in which it is named.

Computershare Investor Services Pty Ltd has given its written consent to being named in the Prospectus as share registry for the Company in the form and context in which it is named.

Ray Slater & Associates Pty Ltd has given its written consent to being named in the Prospectus as independent geologist for the Company in the form and context in which it is named and the inclusion of its report in the form and context in which it appears.

Gordon Saul has given his written consent to being named in the Prospectus in the form and context in which he is named and the inclusion of statements made by, or based on statements made by, him as referred to in this Prospectus in the context in which they appear.

Resolve Geo Pty Ltd has given its written consent to being named in the Prospectus in the form and context in which it is named and the inclusion of statements made by, or based on statements made by, it as referred to in this Prospectus in the context in which they appear.

Each of the parties named above as consenting parties:

- has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of its respective statements and reports (where applicable) noted next to its name above, and the references to those statements and reports in the form and context in which they are included in this Prospectus;
- does not make, or purport to make, any statement in this Prospectus other than those statements referred to above in respect of that person's name (and as consented to by that person);

- has not caused or authorised the issue of this Prospectus (other than incoming director, Gordon Saul); and

- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

## 15.8 Disclosure Interests of Directors and Advisers

Other than as set out in the Prospectus, no person named in this Prospectus as a person performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus nor any firm in which such person is a partner or employed has any interest in this promotion of the Offer.

Bell Potter Securities Limited has acted as lead manager to the Offer. The Company has agreed to pay a 4.5% selling fee on the amount raised by Bell Potter Securities Limited under the Offer and to grant the Broker Options and Broker Performance Options described in section 14.5.

Piper Alderman has acted as legal adviser in regard to the Offer and has performed work in relation to certain of the material contracts, preparing the due diligence program and assisting the Company with due diligence inquiries on legal matters. Piper Alderman also prepare the report in section 8. The Company estimates that it will pay approximately $115,000 to Piper Alderman in respect of its Offer-specific work. The Company has paid or will pay Piper Alderman further fees for work not directly associated with the Offer and report.

McMillan LLP has acted as Canadian legal advisor for the Company and prepared a report included in this Prospectus. The Company estimates it will pay approximately $18,000 to McMillan in respect of this work.

DMR Corporate Pty Ltd has reviewed the financial section of the Prospectus, including the pro forma financial statements. The Company estimates it will pay approximately $25,000 to DMR Corporate Pty Ltd in respect of this work.

Computershare Investor Services Pty Ltd has acted and will act as share registry for the Company and has reviewed and approved the Application Form. The Company will pay Computershare normal commercial rates in connection with Offer related work.

Ray Slater & Associates Pty Ltd has acted as independent geologist for the Company and prepared a report included in this Prospectus. The Company estimates it will pay approximately $50,000 to Ray Slater & Associates Pty Ltd in respect of this work.

The payments above exclude disbursements and GST.

## 15.9 Restricted Securities

ASX may classify the Shares issued to Saul Geological as restricted securities.

Chapter 9 of the Listing Rules precludes holders of restricted securities from disposing of those securities or an interest in those securities or agreeing to dispose of those securities or an interest in those securities for the relevant restriction periods. If ASX determines that the Shares issued to Saul Geological are restricted securities then Saul Geological will also be precluded from granting a security interest over those securities.

ASX may also, at its discretion, waive or vary the requirements in accordance with the Listing Rules if an affected holder and the Company apply for a review of any escrow restrictions.

## 15.10 General Meeting

A general meeting of Shareholders has been scheduled for 31 October 2011. The resolutions that are proposed are, in summary:

1. to approve the Company making a significant change in the nature and scale of its activities by making the Acquisition;

2. to consolidate the Company's capital on the basis of one for five;

3. to delete clause 3 of the Company's constitution;

4. to approve the issue of 64,100,633 Shares and 23,309,321 Performance Shares to Saul Geological in part consideration for the Acquisition;

5. to approve Saul Geological, Gordon Saul and Lynn Saul acquiring a relevant interest in the voting shares of the Company as a result of the issue of 64,100,633 Shares and 23,309,321 Performance Shares to Saul Geological;

6. to approve the issue of 27,566,034 Employee Options and 10,024,013 Employee Performance Options in part consideration for the Acquisition;

7. to approve the issue of up to 33,333,333 New Shares under the Offer;

8. to approve the participation by the Directors and their associates in the issue of New Shares under this Prospectus;

9. to approve the disposal of 7,000,000 class A shares and 2,750,000 class B shares in FGW to FGG and the forgiveness of $719,804 in debt owed to SPD by FGW and its subsidiaries;

10. to change the Company's name from "Strategic Pooled Development Limited" to "Resolve Energy Limited".

Resolutions 1, 2, 3, 4, 5, 6 and 7 are subject to the passing of each other. Resolution 8 and resolution 10 are subject to the passing of resolutions 1, 2, 3, 4, 5, 6 and 7 and Resolution 10 is also subject to completion under the Share and Option Exchange Agreement.

The Offer will be withdrawn and New Shares will not be allotted if Resolutions 1, 2, 3, 4, 5, 6 and 7 are not passed.

# 16. Directors' Statement

The Directors report that, in their opinion, since the date of the financial information set out in section 9 of this Prospectus, there have not been any circumstances that have materially affected or will materially affect the value of the assets and liabilities of the Company except as disclosed in the Prospectus.

The Directors state that they have made all inquiries that were reasonable in the circumstances and after doing so have reasonable grounds to believe that statements made by the Directors in this Prospectus are not misleading or deceptive. In relation to any statement made in this Prospectus by persons other than the Directors, the Directors have made inquiries that were reasonable in the circumstances and after doing so have reasonable grounds to believe that the persons making the statement or statements are reliable and competent in relation to the statements concerned.

This Prospectus is issued by the Company. The issue of this Prospectus has been authorised by the Directors and this Prospectus has been signed by the managing director on behalf of the Directors. Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn his consent.

Signed on behalf of the Company by

Stephen Sedgman
Chairman

# 17. Glossary

| Term | Meaning |
|---|---|
| **A$** | dollars of the currency of Australia. All amounts in this Prospectus are in Australian dollars unless otherwise stated. |
| **Acquisition** | the acquisition of 100% of the shares and employee options in Resolve Coal which owns, or has rights to, the Coal Assets as set out in the Prospectus. |
| **Applicant** | a person who submits an Application Form under this Prospectus. |
| **Application** | an application under the Offer. |
| **Application Form** | an application form accompanying this Prospectus. |
| **Application Money** | the amount of money payable for New Shares pursuant to the Offer. |
| **ASIC** | Australian Securities and Investments Commission. |
| **Asset Sale Agreement** | an agreement between Resolve Coal and Resolve Geo under which Resolve Geo agrees to sell and assign, and Resolve Coal agrees to buy and take assignment from Resolve Geo, of the Sale Assets. |
| **ASX** | ASX Limited ACN 008 624 691, or Australian Securities Exchange, as the context requires. |
| **ASX Listing Rules** or **Listing Rules** | the official listing rules of ASX and any other rules of ASX which apply while the Company is an ASX listed company, each as amended or replaced from time to time except to the extent of any express written waiver by ASX. |
| **ASX Settlement** | ASX Settlement Pty Ltd ACN 008 504 532. |
| **ASX Settlement Operating Rules** | the operating rules of ASX Settlement. |
| **Auditors** | PKF. |
| **Australian Accounting Standards** | the accounting standards as set by the Australian Accounting Standards Board from time to time. |
| **Bell Potter** | Bell Potter Securities Limited |
| **Board** | the board of Directors as constituted from time to time. |
| **Broker Options** | the options over Shares to be issued to Bell Potter as described in section 14.5. |
| **Broker Performance** | the performance options over Shares to be issued to Bell Potter |

| Term | Meaning |
|---|---|
| **Options** | that are only exercisable if the Milestone is achieved by the Milestone Date as described in section 14.5. |
| **Business Day** | Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, and any other day that ASX declares is not a business day. |
| **CHESS** | Clearing House Electronic Subregister System. |
| **Closing Date** | the last date for receipt of completed Application Forms for the Offer which is on 7 November 2011 or such other date and time as the Directors in their absolute discretion, determine. |
| **Coal Assets** | the coal assets referred to and described in section 5.4 of this Prospectus. |
| **Consolidation** | the proposed consolidation of the Existing Shares on a one for five basis, the subject of resolution 2 at the general meeting referred to in section 15.10 of this Prospectus. |
| **Company** | Strategic Pooled Development Limited ACN 062 187 893. |
| **Corporations Act** | *Corporations Act 2001 (Cth).* |
| **Directors** | the directors of the Company. |
| **Employee Options** | the employee options to be issued under the Company's employee option plan to the Optionholders as described in section 14.4. |
| **Employee Performance Options** | the employee performance options to be issued under the Company's employee option plan to the Optionholders that are only exercisable if the Milestone is achieved by the Milestone Date as described in section 14.4. |
| **EST** | Eastern Standard Time. |
| **Existing Share** | one of the 34,500,158 Shares on issue at the date of this Prospectus. |
| **FGG** | Fisher Graham Group Pty Ltd ACN 100 550 650. |
| **FGW** | Fisher Graham Wealth Pty Ltd ACN 123 969 219. |
| **FGW Disposal Deed** | the deed between the Company, FGW, Geelong Wealth Management Pty Ltd and Fisher Graham Wealth Private Pty Ltd dated 11 July 2011. |
| **FGW Shares** | 700,000 Class A Shares and 2,750,000 Class B Shares in FGW. |
| **Investigating Accountant** | DMR Corporate Pty Ltd ACN 063 564 045. |

| Term | Meaning |
|---|---|
| **JORC Code** | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. |
| **Material Agreements** | those agreements listed in section 14 of this Prospectus. |
| **Maximum Subscription** | the maximum raising of $20 million, being 33,333,333 New Shares at the issue price of $0.60 per New Share, pursuant to this Prospectus. |
| **Milestone** | the Company attaining a JORC compliant inferred resource of at least 650 million tonnes of coal in respect of one or more of the Coal Assets. |
| **Milestone Date** | 30 September 2014. |
| **Minimum Subscription** | the minimum raising of $15 million, being 25,000,000 New Shares at the issue price of $0.60 per New Share, pursuant to this Prospectus. |
| **New Directors** | Gordon Saul, Dave Mathew, Greg Clark and Michael Howard. |
| **New Share** | a Share which will be issued to successful Applicant under the Offer. |
| **Offer** | the offer of between 25,000,000 and 33,333,333 New Shares, pursuant to this Prospectus. |
| **Official Quotation** | has the same meaning as in the ASX Listing Rules. |
| **Opening Date** | the date this Prospectus is lodged with ASIC. |
| **Optionholders** | David Kielar, Bing Bai, Jillian Cooper, Alan Hansen, Robert Coulls, Neil Biggs, Michael Skinner and Steven Spargo. |
| **Performance Share** | a fully paid share in the capital of the Company issued on the terms set out in section 14.6. |
| **Prospectus** | this prospectus dated 23 September 2011. |
| **Resolve Coal** | Resolve Coal Pty Ltd ACN 151 212 083. |
| **Resolve Geo** | Resolve Geo Pty Ltd ACN 100 586 534. |
| **Sale Assets** | the assets in Queensland, Australia described in section 5.4 |
| **Saul Geological** | Saul Geological Pty Ltd ACN 073 278 421. |
| **Share** | a fully paid ordinary share in the capital of the Company. |
| **Share and Option Exchange Agreement** | a conditional share and option exchange agreement dated 4 July 2011 between the Company, Saul Geological, the Optionholders and Resolve Coal in relation to the Acquisition, as |

| Term | Meaning |
|---|---|
| | amended. |
| **Shareholder** | the holder of a Share. |
| **SPD** | Strategic Pooled Development Limited ACN 062 187 893. |
| **Subscription Amount** | the amount of money payable for New Shares pursuant to the Offer. |

# 18. Corporate directory

**Directors**

Stephen Sedgman, Managing Director
John Walker, Executive Director
Andrew Kroger, Non-Executive Director

**Company Secretary**

John Walker

**Registered office**

Level 1, 139 Collins Street
MELBOURNE VIC 3000

Website: www.spd.com.au

**Lead Manager**

Bell Potter Securities Limited
Level 29, 101 Collins Street
MELBOURNE VIC 3000

**Auditor**

PKF
Level 14, 140 William Street
MELBOURNE VIC 3000

**Australian Legal Adviser**

Piper Alderman
167 Flinders Street
ADELAIDE SA 5000

**Canadian Legal Adviser**

McMillan LLP
Royal Centre, 1055 West Georgia Street
Suite 1500, PO Box 11117
Vancouver, British Columbia
CANADA V6E 4N7

**Investigating Accountants**

DMR Corporate Pty Ltd
Level 7, 470 Collins Street
MELBOURNE VIC 3000

**Independent Geologist**

Ray Slater & Associates Pty Ltd
Unit 11, 9 Princeton Street
KENMORE QLD 2069

**Share Registry**

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067