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**BALAMARA RESOURCES LIMITED****ACN 061 219 985****NOTICE OF EXTRAORDINARY GENERAL MEETING**

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**TIME:** 4:00 pm (WST)  
**DATE:** 30 August 2019  
**PLACE:** Board Room  
Level 2  
100 Railway Road  
Subiaco, Western Australia

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9367 8133 or [enquiries@balamara.com.au](mailto:enquiries@balamara.com.au).***

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**Notice of Extraordinary General Meeting (Notice)**  
**BALAMARA RESOURCES LIMITED (Company)**  
**ABN 84 061 219 985**  
(formerly known as Sultan Corporation Limited)

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The Company gives notice that an Extraordinary General Meeting of Shareholders (**Extraordinary General Meeting**) will be held at:

**Time: 4pm**

**Date: Friday 30 August 2019**

**Place: Level 2, 100 Railway Road, Subiaco Western Australia**

The Explanatory Statement attached to this Notice provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Statement, Independent Expert's Report and Proxy Form shall each form part of this Notice.

## BUSINESS OF NOTICE

### **Item 1 of Extraordinary General Meeting**

#### **Approval of the issue of Shares on the conversion of Convertible Loans**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of the Company held at the Extraordinary General Meeting:

*"That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the Conversion of all the Convertible Loans, upon the Convertible Loans Terms, summarised details of which are described in the Explanatory Statement and issue of 344,336,588 Shares to the Subscriber, AMPLE SKILL LIMITED."*

#### **Voting exclusion**

In accordance with the Corporations Act, the Company will disregard any votes cast in favour of the Resolution by the Subscriber and their Associates.

**Your vote is important and a vote on this Resolution will impact your shareholding in the Company.**

Notice presented by the board of directors of the Company.

Derek Lenartowicz  
Director

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## EXECUTIVE SUMMARY

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In accordance with the Independent Experts Report it is the intention and recommendation of the Directors to vote for the resolution of the Conversion.

The company has secured funding for the purposes of constructing the Nowa Ruda mine, and the Conversion will clear the company of any other debt.

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## EXPLANATORY STATEMENT

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The information in this Explanatory Statement forms part of the Notice and has been prepared for the information of Shareholders in connection with the Extraordinary General Meeting, being held:-

**Time: 4pm**

**Date: Friday 30 August 2019**

**Place: Level 2, 100 Railway Road, Subiaco Western Australia**

It is noted for the purposes of Section 249(h)(1) of the Corporations Act that this Notice has given in excess of 21 days' notice of the Meeting Proposed above.

This Explanatory Statement should be read in conjunction with the Notice, the Independent Expert's Report and the Proxy Form. Terms and abbreviations used in the Notice, this Explanatory Statement and the Proxy Form have the meaning attributed to them in this Explanatory Statement.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolution in the Notice.

**This Explanatory Statement does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolution and Shareholders should seek their own financial and legal advice.**

### 1. **EXPLANATORY INFORMATION**

#### 1.1 **Terms Used**

In this Explanatory Statement the following words have the following meaning:-

**Company** means BALAMARA RESOURCES LTD ABN 84 061 219 985 (formerly known as Sultan Corporation Limited).

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

**Conversion** means the conversion of the Convertible Loans into Shares under the Resolution.

**Convertible Loans** means the convertible loans made by the Subscriber to the Company and further summarised in Item 1.4 of this Explanatory Statement.

**Convertible Loans Terms** means the terms attaching to the Convertible Loans as set out in the Convertible Loans.

**Extraordinary General Meeting or Meeting** has the meaning given to the term “**Extraordinary General Meeting**” in the introductory paragraph of the Notice and includes, for the avoidance of doubt, any meeting arising from the adjournment or postponement of the Meeting.

**Explanatory Statement** means this explanatory statement.

**Notice** means the notice of Extraordinary General meeting which this Explanatory Statement is annexed and includes the Explanatory Statement, Independent Expert’s Report and Proxy Form which accompany the Notice.

**Proxy Form** means the proxy form included in this Notice which the Shareholders may use to appoint a proxy appointment to vote on the Resolution at the Meeting.

**Resolution** means the resolution proposed in the Notice.

**Share/s** means the fully paid ordinary shares in the Company.

**Shareholder/s** means the holder of a Share in the Company.

**Subscriber** means AMPLE SKILL LIMITED of 2205 22/F Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

## 1.2 Business of Meeting

Item 1 of the Notice will be proposed as an ordinary resolution to be voted upon at the Meeting.

Voting procedures are explained in Section 2 of this Explanatory Statement.

Item 1 of the Meeting is to seek the approval of the Shareholders of the issue of 344,336,588 Shares on the conversion of **all** the Convertible Loans to the Subscriber in satisfaction of the Company’s obligations to repay the Convertible Loans.

No other business shall be conducted at the Meeting.

## 1.3 Key Summary

The Resolution seeks Shareholder approval, under the Convertible Loan Terms and for the purpose of Item 7 of section 611 of the Corporations Act, to allow the Subscriber to convert the Convertible Loans to Shares, in circumstances where such conversion will result in their voting power (and that of their Associates) increasing from a starting point that is above 20% to below 90%.

The Subscriber intends to convert the Convertible Loans into 344,336,588 Shares in the Company, taking the Subscriber's holding of Shares from 28.04% to 49.47% and resulting in a dilution of all other Shareholders.

This is an increase of 21.4% shareholding and voting power in the Company.

The Independent Expert's Report indicates that the Conversion of the Convertible Loans is not fair, but reasonable to Non-Associated Shareholders in the absence of any alternative proposals that may provide greater benefit to the Non-Associated Shareholders.

### **Advantages**

The main advantages as set out in the Independent Expert's Reports can be summarised as follows:-

- a. The Subscriber already holds a 28% interest in the Company. As such it can be argued that there is no control premium applicable to the Non-Associated Shareholders. Comparing the value of a Company share on a minority basis pre and post Conversion results indicates that the value of a Company share following the Conversion is greater than the value of a Company share prior to the Conversion;
- b. The Company can extinguish \$13.17m worth of debt (and ongoing interest obligations) which would otherwise need to be repaid upon the repayment dates;
- c. The Company may not be able to meet its repayment obligations under the Convertible Loans if the Company does not convert the Convertible Loans into shares;
- d. The Conversion price of the Convertible Notes is higher than the implied value prior to the Conversion.

### **Disadvantages**

The main disadvantages as set out in the Independent Expert's Reports can be summarised as follows:-

- a. The proposed Conversion is not fair;
- b. Non-associated existing shareholders in the Company will be diluted;

c. The Subscriber will gain further control of the Company by about 21.5%.

#### 1.4 Background and Summary of material terms of Convertible Loans

The Company borrowed funds from the Subscriber for the purposes of its general working capital commitments and developing its Polish coal assets as part of the Convertible Loans arrangement.

The Company has received a conversion notice from the Subscriber of its intention to convert the Convertible Loans to Shares in the Company.

The conversion of the Convertible Loans into Shares will satisfy the Company's requirements to repay the outstanding principal amounts plus any interest and the Convertible Loans will cease to exist upon the conversion.

The Company is seeking approval under item 7 of section 611 of the Corporations Act to the future issue of Shares to the Subscriber in the event of the conversion of the Convertible Loans.

The Subscriber loaned the Company the following summarised amounts:-

##### A. Convertible Loan A

Dated: 31 January 2015

Repayment Date: 4 years

Principal Amount: \$4,000,000 (four million dollars)

Interest: 5% per annum (payable in either cash or share issue)

Conversion Price per Share: \$0.03 (three cents)

##### B. Convertible Loan B

Dated: 27 July 2015

Repayment Date: 4 years

Principal Amount: \$7,000,000 (seven million dollars) to be drawn down in \$1,000,000 (one million dollar) tranches as follows:-

31 August 2015 (See **Note 1**);

30 September 2015 (**Note 2**);

31 October 2015 (**Note 3**);

30 November 2015 (**Note 4**);

31 December 2015 (**Note 5**);

31 January 2016 (**Note 6**);

28 February 2016 (**Note 7**).

Interest: 5% per annum (payable in either cash or share issue)

Conversion Price per Share:

Note 1: \$0.03 (three cents);

Note 2: \$0.04 (four cents);

Note 3: \$0.04 (four cents);

Note 4: \$0.05 (five cents);

Note 5: \$0.05 (five cents);  
 Note 6: \$0.07 (seven cents);  
 Note 7: \$0.09 (nine cents).

### C. Convertible Loan C

Dated: 25 January 2017

Repayment Date: 4 years

Principal Amount: \$7,000,000 (seven million dollars) to be drawn down in up to \$1,000,000 (one million dollar) tranches as follows:-

25 February 2017;

31 March 2017;

31 May 2017;

31 July 2017;

30 September 2017;

30 November 2017;

31 January 2018.

Interest: 5% per annum (payable in either cash or share issue)

Conversion Price per Share: \$0.03 (three cents)

### 1.5 Prior conversion of Convertible Loan A

On 4 June 2015 the Subscriber converted \$2,250,000 into Shares for a total issue of 75,397,260 Shares in the Company.

This was in partial conversion of Convertible Loan A.

### 1.6 Calculation of Convertible Loans

The Company has had calculated the proposed number of Shares to be issued as part of the conversion of the Convertible Loans as represented in the following table:-

Draw Down Date	Interest Rate	Principal Amount	Interest Calculation	Conversion Rate	Shares Proposed to be Issued
04/06/2015	5%	\$250,000	\$53,013.70	0.03	10,100,457
29/06/2015	5%	\$1,000,000	\$208,630.14	0.03	40,287,671
28/07/2015	5%	\$500,000	\$102,328.77	0.03	20,077,626
23/09/2015	5%	\$1,000,000	\$196,849.32	0.03	39,894,977
27/10/2015	5%	\$1,000,000	\$192,191.78	0.04	29,804,795
21/12/2015	5%	\$1,000,000	\$184,657.53	0.04	29,616,438
07/01/2016	5%	\$1,000,000	\$182,328.77	0.05	23,646,575
07/03/2016	5%	\$500,000	\$87,054.79	0.05	11,741,096
11/03/2016	5%	\$500,000	\$86,780.82	0.05	11,735,616
03/05/2016	5%	\$500,000	\$83,150.68	0.07	8,330,724

16/05/2016	5%	\$500,000	\$82,260.27	0.07	8,318,004
07/06/2016	5%	\$500,000	\$80,753.42	0.09	6,452,816
27/06/2016	5%	\$200,000	\$31,753.42	0.09	2,575,038
30/06/2016	5%	\$300,000	\$47,506.85	0.09	3,861,187
11/01/2017	5%	\$200,000	\$26,328.77	0.03	7,544,292
31/01/2017	5%	\$250,000	\$32,226.03	0.03	9,407,534
14/02/2017	5%	\$250,000	\$31,746.58	0.03	9,391,553
22/02/2017	5%	\$300,000	\$37,767.12	0.03	11,258,904
22/03/2017	5%	\$130,000	\$15,867.12	0.03	4,862,237
27/03/2017	5%	\$70,000	\$8,495.89	0.03	2,616,530
15/01/2018	5%	\$200,000	\$16,219.18	0.03	7,207,306
26/02/2018	5%	\$60,000	\$4,520.55	0.03	2,150,685
23/03/2018	5%	\$300,000	\$21,575.34	0.03	10,719,178
01/05/2018	5%	\$100,000	\$6,657.53	0.03	3,555,251
13/06/2018	5%	\$100,000	\$6,068.49	0.03	3,535,616
06/07/2018	5%	\$125,000	\$7,191.78	0.03	4,406,393
01/08/2018	5%	\$50,000	\$2,698.63	0.03	1,756,621
16/08/2018	5%	\$150,000	\$7,787.67	0.03	5,259,589
25/09/2018	5%	\$50,000	\$2,321.92	0.03	1,744,064
02/10/2018	5%	\$358,050.50	\$16,283.94	0.03	12,477,815

**Outstanding Principal \$11,443,051**

**Interest Payable**

**\$1,863,017**

**Outstanding Shares to be issue**

**344,336,588**

## **1.7 Obligation to seek approval for the issue of shares to the Subscriber**

Under the Convertible Loan Terms, the conversion of the Convertible Loans is subject to Shareholder approval and the conversion of the Convertible Loans cannot take place without the requisite approval by the Shareholders.

The Company is obliged to use its endeavours to seek approval from the Shareholders. Further under Item 7 of Section 611 of the Corporations Act approval is required by a requisite majority of Shareholders of the future issue of Shares to the Subscriber.

It is proposed that at the Extraordinary General Meeting or as soon as practicable thereafter (to account for any adjournment or postponement of the Meeting) the Shareholders are given the opportunity to vote to approve the issue of the Shares to the Subscriber. The Resolution is being put to

Shareholders for approval to satisfy this obligation of approval under the Convertible Loan Terms.

### **1.8 Independent Expert's Report**

The Company has had prepared and attached to this Explanatory Statement the Independent Expert's Report.

The purpose of the Independent Expert's Report is to state whether or not, in its opinion, the issue of Shares to the Subscribers on the conversion of the Convertible Loans is 'fair' and 'reasonable' to Shareholders.

The Company has authority to provide the Shareholders with a copy of the report for the purposes of assessing the merits and disadvantages of the Conversion.

### **1.9 Obligations under Corporations Act and ASIC Regulatory Guide 74**

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company or an unlisted company with more than 50 shareholders (which is what the Company is), if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of that transaction, that person's or someone else's voting power increases:-

- a. from 20% or below to more than 20%; or
- b. from a starting point that is above 20% to below 90% (which is what the proposed Conversion will do).

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act.

The calculation of a person's voting power in a company involves determining the voting shares in the Company in which the person and the person's Associates have a relevant interest in.

A person has a relevant interest in securities of a company if they individually, or jointly:

- i. are the holder of the securities;
- ii. have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- iii. have the power to dispose of, or control the exercise of a power to dispose of, the securities.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act.

This exception provides that a person may acquire a relevant interest in a company's voting shares if shareholders of the company approve the acquisition.

For the exemption of item 7 of section 611 of the Corporations Act to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their Associates, or known to the Company, that is material to the decision of how to vote on the resolution.

ASIC Regulatory Guide 74, has indicated what additional information should be provided to shareholders in these circumstances.

The following information is required and provided in the remaining sections of this Explanatory Statement and provided in compliance with Item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

- (a) no votes are cast in favour of the Resolution by:-
  - a. The person proposing to make the acquisition and their associates; or
  - b. The person from whom the acquisition is to be made and their associates.
- (b) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution;
- (c) the identity of the Subscriber and their Associates is given;
- (d) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
- (e) the voting power that person would have as a result of the acquisition;
- (f) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
- (g) the voting power that each of that person's associates would have as a result of the acquisition.

#### **1.10 Votes Cast in favour of the Resolution and exclusions**

Any votes cast in favour of the Resolution by the Subscriber or its associates shall be disregarded.

Bright Agile Limited and Ocean Glad Limited are associates of the Subscriber and any votes cast in favour of the Resolution by either of these shareholders shall be disregarded.

The Subscriber and its associates are not however prohibited from voting against the Resolution.

There is no person from whom the Conversion is being made as it is an issue of Shares by the Company.

### **1.11 Identity of Subscriber and Associates of the Subscriber**

The Subscriber, Ample Skill Limited, is a privately owned company, with its office in Hong Kong its primarily based in Singapore.

The Subscriber is an investment company, and invests in the Company and additional companies which hold marine vessels interests in ship building and complex offshore support vessels.

The current directors of the Subscriber are:-

- a. Mr Chee Siew YAW; and
- b. Mr Jonathan Kwok Hung LEUNG.

Mr Jonathan Kwok Hung LEUNG, indirectly holds additional shares in the Company through the following entities which are associates of the Subscriber (**Associates**):-

- a. Bright Agile Limited : 20,000,001 ordinary shares; and
- b. Ocean Glad Limited : 21,780,382 ordinary shares.

### **1.12 Effect of approval on capital structure of Company and voting power**

The Company currently has on issue 811,965,949 Shares.

The Subscriber currently holds 227,688,834 Shares in the Company representing 28.04% of the Company.

Under the Conversion calculation the Subscriber will be issued 344,336,588 further Shares in the Company which will increase the total capital of the Company to 1,156,302,537 Shares.

The Conversion will increase the Subscriber's holding in the Company to 572,025,422 which equates to 49.47% of the Shares on issue in the Company.

This is an increase of 21.4% shareholding and voting power in the Company.

Approval of the issue of Shares under the proposed Resolution will also result in a dilution of all other Shareholders in the Company.

### 1.13 Voting power of the Subscriber's Associates

It is only the Subscriber whose voting power is affected by the Conversion.

Indirectly, Mr LEUNG, Jonathan Kwok Hung voting power will increase as a result of the Conversion, through the Subscriber and his associated shareholdings detailed above in Item 1.11.

There will be no increase in the voting power of any of the Associates of the Subscriber. As the Associates of the Subscriber are also ordinary shareholders, their shareholdings will also be impacted as part of the Conversion. Collectively, there will be an increase in voting power of the Associates, by their association with the Subscriber.

Votes cast by the Associates shall be disregarded in accordance and compliance with Item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74.

### 1.14 Other material information under ASIC Regulatory Guide 74

#### Reason for Conversion

The reasons for the Conversion are set out in the Independent Expert's Report.

The main reasons is for the conversion of the Convertible Loans to assist in the reduction of liabilities owed by the Company and mounting interest costs of the Company.

#### Timing of proposed Conversion

The Company **cannot** convert the Convertible Loans without the Shareholders approval under the Resolution.

If the Resolution is approved, the Company shall issue the Shares the subject of the Conversion as soon as practicable after the Meeting.

#### Statements by the Subscriber

a. Intention to change business;

The Subscriber does not intend to change the business of the Company at this point in time.

b. Injection of any additional capital

The Subscriber does not intend to change the business capital of the Company at this point in time.

c. Future employment of present employees

The Subscriber does not intend to change the current employment structure of the Company at this point in time.

d. Any proposal to transfer assets of the Company

The Subscriber does not intend to transfer any assets of the Company at this point in time.

e. Redeploy fixed assets of the Company

The Subscriber does not intend to redeploy any assets of the Company at this point in time.

f. Change in composition of the board

The Subscriber does not intend to change the composition of the board of directors of the Company at this point in time.

**Intention to change financial or dividend distribution policies of the Company**

The Subscriber does not intend to change significantly the financial or dividend policies of the Company at this time or vote contrary to the interest of the Shareholders as a whole.

**Any interest a Director of the Company has in the Conversion**

The current Directors of the Company do not hold any interest in the Subscriber. The Subscriber is wholly owned by Mr YAW, Chee Siew.

**Any proposed additional appointments to the board of directors**

At the present point in time, the Subscriber does not intend to change the composition of the Board of directors of the Company. As majority shareholder (upon Conversion) the Subscriber will reserve its rights to appoint up to 2 additional directors to the board of the Company.

Details of the proposed directors will be presented in due course when and if the Subscriber proposes to appoint directors.

**1.15 Director's disclosure and recommendation**

The current Directors of the Company are:-

- a. Derek Lenartowicz; and
- b. Michael Anthony Hale.

It is the intention of both directors to vote in accordance with the Independent Experts Report and vote in favour of the resolution to approve the Conversion.

## **2. VOTING SUMMARY**

### **2.1 Introduction**

This Voting Summary forms part of the Notice of Meeting and should be read in conjunction with the Notice of Meeting, the Explanatory Statement and the Proxy Form.

### **2.2 Registration**

The Extraordinary General Meeting is a meeting of the Company's shareholders or their proxies or representatives and so registration and confirmation for eligibility for admission is required to enter the meeting.

A registration desk will be located outside the meeting room. At the discretion of the Company and subject to sufficient capacity, one guest may accompany each Shareholder, provided that the Shareholder and their guest register at the same time.

Guests shall not be eligible to vote on the Resolution.

### **2.3 Discussion and asking questions**

Discussion will take place on the Item of Business set out in this Notice of Meeting and in Item 1.2 of the Explanatory Statement at the commencement of the Meeting.

The material set out in the Explanatory Statement, which forms part of this Notice of Meeting provides further information in relation to the Items of Business for the Extraordinary General Meeting.

Questions will be taken on the Resolution, prior to Shareholders being asked to vote.

To ensure that as many Shareholders as possible have the opportunity to speak, the Company requests:

- (a) that questions are kept as short as possible and are kept relevant to the items of business being discussed.
- (b) Shareholders are requested to restrict themselves initially to two questions in total, or one questions and one follow-up question or comments. If time permits, anyone wishing to speak more than once or ask follow-up or subsequent questions will be given a subsequent opportunity.

- (c) Shareholders who are unable to attend the meeting or who may prefer to submit questions in advance, are invited to do so by writing in post, facsimile or email to:-
- a. **POST:** Attn: Balamara Resources, Level 2, Unit 19, 100 Railway Road, Subiaco, Western Australia
  - b. **FAX:** +61 8 9367 8812
  - c. **EMAIL:** [enquiries@balamara.com.au](mailto:enquiries@balamara.com.au)

Please note that all written questions must be received, **no later than 48 hours prior to the Meeting**. The board will endeavour to address as many questions as possible during the meeting.

## 2.4 Voting generally

**Your vote is important** and a vote on this Resolution will impact your shareholding in the Company.

Shareholders can vote by:

- (a) attending the meeting and voting in person; or
- (b) appointing an attorney or, in the case of corporate Shareholders, a corporate representative to attend and vote; or
- (c) appointing a proxy to attend the meeting and vote on their behalf using the Proxy Form accompanying this Notice of Meeting, or by submitting their proxy appointment and filling in the voting directions on the Proxy Form for use at the meeting.

For a proxy appointment to be valid Shareholders must submit their proxy forms to the Company **no later than 48 hours prior to the Meeting**.

Shareholders **cannot** appoint a proxy on the date of the meeting itself.

The Chairman intends to conduct voting on the Resolution by a show of hands unless a poll is demanded.

Shareholders will be asked to vote on the Resolution by marking their voting paper. A show of hands vote means each Shareholder shall receive one vote to vote for against or abstain from the Resolution.

If a poll is demanded, every Shareholder present in person or by attorney or by proxy (or, in the case of a body corporate, by representative) shall have one vote for each fully paid share held.

The Resolution is an **ordinary resolution**.

An ordinary resolution is passed by a vote of more than 50% of the members present at the meeting, either in person, by proxy or representative, approving the Resolution.

## 2.5 Demanding a Poll

A Poll may be demanded under the constitution of the Company either before or immediately upon the declaration of the result of the show of hands by:

- (a) the chairman of the general meeting;
- (b) at least 5 Shareholders present in person or by proxy, attorney or Representative having the right to vote on the resolution; or
- (c) any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote on the resolution.

## 2.6 Quorum

No items of business shall be conducted unless a quorum is present. A quorum of the Company is at least 2 Shareholders, present in person, by proxy, attorney or representative.

For the purpose of determining whether a quorum is present, a person attending as a proxy, attorney or representative, shall be deemed to be the Shareholder present in person and counted towards the quorum.

If a quorum is not present within 15 minutes after the time appointed for the Meeting, the Meeting shall stand adjourned to a date exactly 7 days after the Meeting at the same time and place unless otherwise notified by the directors.

If at such adjourned meeting a quorum is not present, the Shareholders present in person, by proxy, attorney or representative shall constitute a quorum.

## 2.7 Voting in person (or by attorney or representative)

If you wish to vote in person, you must register to vote at the Extraordinary General Meeting. Shareholders (or their attorneys or representatives) who plan to attend the meeting, are asked to arrive at the venue 30 minutes prior to the time designated for the Meeting, so that their holding may be checked against the Company's share register and attendances recorded.

Attorneys **must** bring with them an original or certified copy of the power of attorney under which they have been authorised to attend, and vote at the Meeting.

A Shareholder that is a corporation may appoint an individual to act as its representative and to vote in person at the Meeting. In order to attend and vote at the Meeting, the representative should bring to the meeting evidence of their appointment, including any authority under which it is signed.

To appoint a corporate representative, a body corporate must provide the Company with a letter or certificate executed in accordance with the Corporations Act authorising that person to act as the corporate Shareholder's representative at the meeting. The certificate of appointment of a corporate representative must be lodged with the Company before the meeting or at the registration desk on the day a minimum of 20 minutes prior to the start of the meeting.

To assist in the smooth running of the Meeting and to avoid delays in registration, we would appreciate such evidence required above being supplied to the Company at least 48 hours before the Meeting.

## 2.8 Voting by proxy

A Proxy Form accompanies this Notice of Meeting.

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on the Shareholder's behalf.

For a proxy appointment to be valid Shareholders must submit their proxy forms to the Company **no later than 48 hours prior to the Meeting**.

Each proxy will have the right to vote on a poll and also to speak at the meeting. A proxy need not be a Shareholder. A proxy can be either an individual or a body corporate.

A Shareholder that is entitled to cast two or more votes may appoint up to two proxies and may specify the proportion or the number of votes that each proxy is appointed to exercise and the manner that proxy is to exercise the vote. If two proxies are appointed and no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- (a) appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- (b) provides satisfactory evidence of the appointment of its corporate representative.

If evidence is not received at least 48 hours before the Meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

The Company reserves the right to disallow voting participation, should there be inadequate evidence of proper appointment of either a proxy holder or a corporate representative.

If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting on that resolution as they think fit, subject to any applicable voting exclusions.

If a proxy is instructed to abstain their vote on an Item of Business, they are directed not to vote on the Shareholder's behalf and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their Proxy Forms with a direction on how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf.

If a Proxy Form is returned but the nominated proxy does not attend the meeting or does not vote on a resolution, the Chairman of the meeting will act in place of the nominated proxy and vote on their behalf, including in accordance with any voting directions.

It is intended that proxy appointments in favour of the Chairman of the meeting, **that do not contain a direction on how to vote will be voted in favour of the Resolution.**

## 2.9 Proxy Form

A Proxy Form accompanies this Notice of Meeting and to be effective must:-

- (a) be completed correctly and in accordance with the instructions on the Proxy Form;
- (b) include all pages of the Proxy Form; and
- (c) be received by **no later than 48 hours prior to the Meeting** at the Company's Registry:

a. **POST:** Attn: Balamara Resources, Level 2, Unit 19, 100 Railway Road, Subiaco, Western Australia

b. **FAX:** +61 8 9367 8812

c. **EMAIL:** [enquiries@balamara.com.au](mailto:enquiries@balamara.com.au)

## 2.10 Cut-off date for voting entitlements

It has been determined that under regulation 7.11.37 of the Corporations Regulations 2001 (Cth), for the purposes of the Extraordinary General Meeting, shares will be taken to be held by the persons who are the registered holders at **4pm (WST) Wednesday 28 August 2019.**

Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting and will remain with the current Shareholder.

## **2.11 Voting exclusion**

For details regarding the voting exclusions that apply to the Resolution, please see Item 1.10 of the Explanatory Statement in the Notice of Meeting.

## PROXY FORM

This Proxy Form is in relation to the proposed Resolution of the Company BALAMARA RESOURCES LTD ABN 84 061 219 985 (formerly known as Sultan Corporation Limited) at the Extraordinary General Meeting held at 4pm, Friday 30 August 2019, Level 2, 100 Railway Road, Subiaco, Western Australia.

### Shareholder Details

**Full Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Capacity:** Trustee / Authorised Representative / Attorney / Other (*list*): \_\_\_\_\_

### IMPORTANT INFORMATION REGARDING THIS PROXY FORM

- A. This Proxy Form consists of 2 pages and both must be presented to be a valid proxy.
- B. You may choose the Chairman of the Meeting or some other nominated person on the form on the second page to be your proxy. Your proxy does not need to be a shareholder.
- C. If you leave the appointment section blank, the Chairman shall be appointed your proxy.
- D. You may direct your proxy how to vote by placing a mark in one of the three boxes opposite the item of business in the For, Against or Abstain boxes. All your shares will be voted in accordance with your directions, to the extent permitted by law, unless otherwise directed.
- E. If you do not mark a box your proxy may, to the extent permitted by law, vote as they choose.
- F. If you mark more than one box on an item your vote will be invalid.
- G. Proxy appointments in favour of the Chairman of the meeting that do **not** contain a direction on how to vote will be voted "**For**" the Resolution.
- H. If a poll is demanded you may indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%, otherwise your vote will be invalid on that item.
- I. Signing the proxy:-
  - 1. Individual: Where the Shareholder is an individual, that shareholder must sign in the box provided.
  - 2. Joint Holding: Where the holding is in more than one name, all of the shareholders should each sign in a box.
  - 3. Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
  - 4. Companies: Companies sign in accordance with Section 127 of the Corporations Act. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.
- J. Bring a copy of this Proxy Form to the Meeting.
- K. The Proxy Form shall not be valid unless the original instrument and the power of attorney or other authority (if any) under which the instrument is signed, or a copy or facsimile which appears on its face to be an authentic copy of that proxy, power or authority, is or are deposited with the Company in accordance with the Explanatory Statement by the time (being not less than 48 hours) prior to the commencement of the Meeting (or the resumption of the meeting if the meeting is adjourned).

### Item 1 – Proxy Appointment

I / We the shareholder of the Company APPOINT to act as my / our proxy:-

<input type="checkbox"/>	The Chairman of the Meeting	or	<input type="checkbox"/>	Full Name 1: _____ Address: _____
			<input type="checkbox"/>	Full Name 2: _____ Address: _____

AND failing such person or person/s being named or elected then the Chairman of the Meeting held at 4pm, Friday 30 August 2019, Level 2, 100 Railway Road, Subiaco, Western Australia.

### Item 2 – Authority of Proxy

My / Our Proxy has the authority:-

- c. to act at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit to the extent permissible by law) and to act at any adjournment of the Meeting; and
- d. to demand or join in demanding a poll and to act on my/our behalf in voting in that poll in accordance with the following directions.

IF my Proxy is the Chairman I expressly authorise the Chairman to vote "For" the Resolution to the extent permissible by law if I do not direct otherwise.

### Item 3 – Items of Business

*That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the Conversion of all the Convertible Loans, upon the Convertible Loans Terms, summarised details of which are described in the Explanatory Statement and issue of 344,336,588 Shares to the Subscriber, AMPLE SKILL LIMITED.*

<input type="checkbox"/> FOR	<input type="checkbox"/> AGAINST	<input type="checkbox"/> ABSTAIN
------------------------------	----------------------------------	----------------------------------

IF I appointed 2 people as proxies each is entitled to vote in respect of the following proportions of my voting rights:

	Proportion of voting rights %
1.	
2.	

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

### Item 4 – Signatures of Shareholders

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director & Sole Secretary	Director	Director / Secretary

Date: \_\_\_ / \_\_\_ / \_\_\_

## **INDEPENDENT EXPERT'S REPORT**

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Annexed here is the Independent Expert's Report prepared in accordance with and compliance with ASIC Regulatory Guide RG111 and RG112.

## Balamara Resources Limited

Independent Expert's Report  
and Financial Services Guide  
01 July 2019

**The Proposed Transaction is not fair but reasonable to Non-Associated Shareholders**

**Prepared by Moore Stephens Perth Corporate Services Pty Ltd  
Australian Financial Services License No. 240773**

MOORE STEPHENS PERTH CORPORATE SERVICES PTY LTD

Australian Financial Services License No. 240773

FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to our Independent Expert's Report on the on the proposed conversion of the Convertible Notes issued by Ample Skill Limited ("Ample Skill"), which will convert to 344,336,588 Balamara Limited ("Balamara") shares. Upon conversion, the liability (principal and accrued interest) owing to Ample Skill will no longer be payable. Our report has been prepared at the request of the Directors of Balamara for inclusion in the Notice of Meeting to be dated on or around 21 August 2019.

**Moore Stephens Perth Corporate Services Pty Ltd**

Moore Stephens Perth Corporate Services Pty Ltd ("MSPCS") has been engaged by the directors of Balamara to prepare an independent expert's report expressing our opinion as to whether or not the Proposed Transaction is "fair and reasonable" to the shareholders of Balamara.

MSPCS holds an Australian Financial Services Licence – Licence No 240773.

**Financial Services Guide**

As a result of our report being provided to you we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

**Financial Services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with the issue of securities of a company or other entities.

Our report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our report as a retail client because of your connection with the matters on which our report has been issued. We do not accept instructions from retail clients and do not receive remuneration from retail clients for financial services.

Our report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in this report.

**General Financial Product Advice**

Our report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives either financial or otherwise, your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

**Benefits that we may receive**

We will charge fees for providing our report. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the report. Our fees have been agreed on either a fixed fee or time cost basis. We estimate that our fees for the preparation of this report will be approximately \$20,000 plus GST.

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

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of MSPCS or related entities but any bonuses are not directly in connection with any assignment and in particular are not directly related to the engagement for which our report was provided.

**Referrals**

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

**Associations and relationships**

MSPCS is the licensed corporate advisory arm of Moore Stephens Perth, Chartered Accountants. The directors of MSPCS may also be partners in Moore Stephens Perth Chartered, Accountants.

Moore Stephens Perth, Chartered Accountants is comprised of a number of related entities that provide audit, accounting, tax, and financial advisory services to a wide range of clients.

MSPCS's contact details are set out on our letterhead.

Neither MSPCS nor its related entities have previously provided any professional services to Balamara or New Era.

**Complaints resolution**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, Moore Stephens, PO Box 5785, St George's Terrace, Perth WA 6831.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Australian Financial Complaints Limited ("AFC"). AFC is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. MSPCS is a member of AFC. AFC may be contacted directly via the details set out below.

Australian Financial Complaints Limited  
 GPO Box 3  
 Melbourne VIC 3001  
 Toll free: 1300 78 08 08  
 Facsimile: 03 9613 6399  
 Email: [info@fos.org.au](mailto:info@fos.org.au)

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01 July 2019

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WA 6831

The Directors  
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Subiaco, WA 6008

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Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. INTRODUCTION

- 1.1 Balamara Resources Limited ("Balamara" or "the Company") entered into multiple binding term sheets between 31 January 2015 to 25 January 2017 to borrow funds from Ample Skill Limited ("Ample Skill") via the issuance of a convertible note ("Convertible Notes" or "Notes"). The Convertible Notes shall be convertible into Balamara shares ("Conversion Shares") at a price (specified in Section 4) per fully paid ordinary share ("Conversion Price") any time after the drawdown on the Notes ("Drawdown Date") and prior to the date on which repayment of the Notes is due ("Repayment Date") up to the balance of the Notes repayable ("Outstanding Monies") by written notice from Ample Skill to Balamara ("Conversion Notice"). Ample Skill has elected to convert all outstanding Convertible Notes and associated interest. This conversion will result in 344,336,588 shares being issued to Ample Skill ("Proposed Transaction"). Once a Conversion Notice has been issued, it cannot be withdrawn.
- 1.2 The Proposed Transaction is subject to a number of conditions including:
- Ample Skill may elect to convert any Outstanding Monies either in whole or in part subject to each Conversion Notice being for not less than the conversion of \$1,000,000 of the Notes, unless the Parties agree otherwise.
  - All applicable regulatory and legal approvals being obtained; and
  - Shareholder approval being obtained.
- 1.3 Where the Notes are unable to be converted due to the inability of either Ample Skill or Balamara, the Notes will remain as a debt outstanding to Ample Skill and be repayable in accordance with the terms set out in the Term Sheet agreement.
- 1.4 Further details of the Proposed Transaction are set out in Section 4.

### 2. SUMMARY & OPINION

#### Opinion

- 2.1 We have considered the terms of the Proposed Transaction as outlined in the body of our report and have concluded that the Proposed Transaction is not fair, however we are of the opinion the Proposed Transaction is reasonable to the Shareholders of Balamara.
- 2.2 In our opinion, the Proposed Transaction is not fair because the value of a Balamara share prior to the Proposed Transaction on a controlling basis is greater than the value of a Balamara share post the Proposed transaction, valued on a minority basis. We do, however, consider the Proposed Transaction to be reasonable on the basis that the Notes issued to Ample Skill require a substantial amount of debt to be repaid by Balamara. If Balamara does not convert this debt it will be liable to repay the Notes which would likely have detrimental effects to the working capital of the business, require the sale of an asset or a capital raising to fund the payment. This is a key consideration to our opinion.

- 2.3 In assessing if the Proposed Transaction is reasonable, we have given considerable weighting to our view that being required to pay the Convertible Notes back in full, will have both a negative impact on working capital and the future prospects of the company if it is required to sell an asset or raise additional capital to fund the payment.

## Purpose of the Report

- 2.4 Section 606 of the Corporations Act prohibits an entity from changing a relevant interest in the issued voting shares of a public company from above 20% and below 90%, unless a full takeover offer is made to all shareholders. Ample Skill currently holds a 28% interest in Balamara, with the Proposed Transaction taking Ample Skills holding to 49%.
- 2.5 Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 of the Act does not apply if the acquisition has been approved by the Non-Associated Shareholders of the Company. Accordingly, the Company is seeking approval from the Non-Associated Shareholders for the Proposed Transaction under Item 7 of Section 611 of the Act.
- 2.6 Item 7 Section 611 of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 (“RG 111”) advises the requirement to commission an Independent Expert’s Report in such circumstances and provides guidance on the content.
- 2.7 The directors of Balamara have engaged Moore Stephens Perth Corporate Services Pty Ltd (“MSPCS”) being independent and qualified for the purpose, to prepare an Independent Expert’s Report to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the shareholders of Balamara not associated with the Proposed Transaction (the “Non-Associated Shareholders”).

## Approach

- 2.8 Our assessment of the Proposed Transaction relies on financial information and instructions provided by the Company and the Directors. We have critically analysed the information provided to us, but we have not completed any audit or due diligence of the information which has been provided for the entities which have been valued. This report does not contain any accounting or taxation advice.
- 2.9 Our report has been prepared having regard to Australian Securities & Investments Commission (“ASIC”) Regulatory Guide 111 Content of Expert’s Reports (“RG 111”) and Regulatory Guide 112 Independence of Expert’s (“RG 112”).
- 2.10 In arriving at our opinion, we have assessed the terms of the Proposed Transaction, as outlined in the body of our report, by considering the following;
- How the value of a Balamara share prior to the Proposed Transaction on a control basis compares to the value of a Balamara share following the Proposed Transaction on a minority interest basis;
  - The likelihood of a superior alternative Proposed Transaction being available to Balamara;
  - Other factors which we consider to be relevant to the shareholders of Balamara in their assessment of the Proposed Transaction; and
  - The position of the shareholders of Balamara should the Proposed Transaction not be successful.

Further information on the approach we have employed in assessing whether the Proposed Transaction is “fair and reasonable” is set out at Section 3 of this Report.

**Fairness**

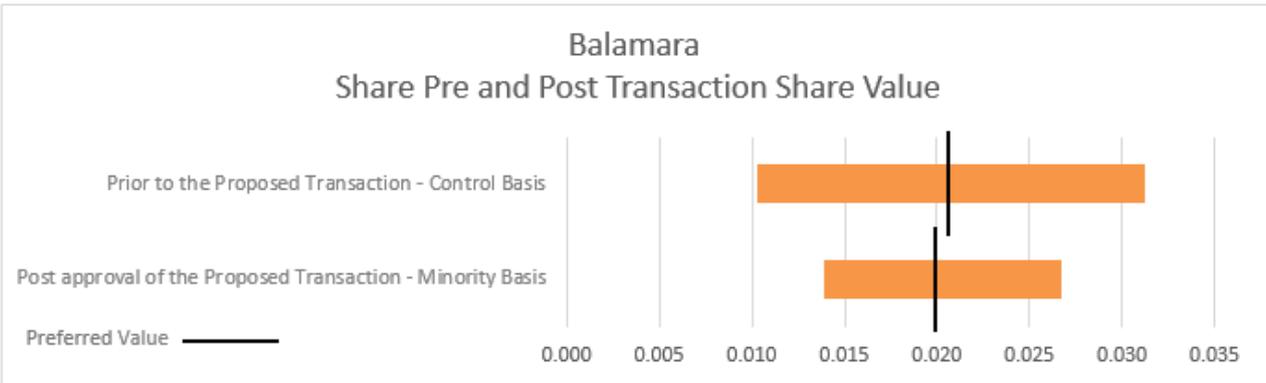
2.11 Our assessed values of a Balamara share are summarised in the table and figure below.

**Table 1: Assessed values of a Balamara share pre and post Proposed Transaction approval**

		Section	Low \$	Preferred \$	High \$
Pre Proposed Transaction	Assessed Fair Value of a Balamara share prior to the Proposed Transaction (control basis)	9	0.010	0.021	0.031
Post Proposed Transaction	Assessed Fair Value a Balamara share if the Proposed Transaction is approved (minority basis)	10	0.014	0.020	0.027

Source: Moore Stephens analysis

In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with Section 611 of the Corporations Act 2001, we consider the Proposed Transaction to be not fair to the Non-Associated Shareholders of Balamara. As the low values reflect a fair position and the high values reflect a not fair position, we have relied on the preferred values to form our opinion and note that the preferred value of a Balamara share before the Proposed Transaction is higher than the preferred value of a Balamara share if the Proposed Transaction is approved.



Source: Moore Stephens analysis

**Reasonableness**

- 2.12 We have considered the analysis in Section 12 of this report, in terms of both;
- Advantages and disadvantages of the Proposed Transaction;
  - Other considerations, including the level of control of Balamara if the Proposed Transaction is approved and the position of shareholders of Balamara if the Proposed Transaction is not approved.
- 2.13 In our opinion, if the Proposed Transaction is approved the position of shareholders is more advantageous than their position if the Proposed Transaction is not approved. Accordingly, in the absence of a superior Proposed Transaction we believe that the Proposed Transaction is reasonable for shareholders of Balamara.
- 2.14 The advantages and disadvantages considered are summarised below:

Advantages	Disadvantages
Ample Skill already holds a 28% interest in Balamara. As such, it could be argued that there is no control premium applicable to Non-Associated Shareholders. Comparing the value of a Balamara share on a minority basis Pre and Post the Proposed Transaction results indicates the value of a Balamara share following the Proposed Transaction is greater than the value of a Balamara share prior to the Proposed Transaction.	The Proposed Transaction is not fair.
The company can extinguish \$13.17m of debt which would be otherwise payable at the Repayment Date.	Non-associated existing shareholders will be diluted.
If the Convertible Notes are not converted into shares, the Company may not be able to meet the repayment due.	Ample Skill will gain further control of Balamara.
The conversion price of the Notes is higher than the implied value pre-conversion	

- 2.15 Other key matters we have considered include:

**OTHER KEY MATTERS**

Alternate proposals: We are not aware of any alternative proposals that may provide a greater benefit to the Non-Associated shareholders of Balamara

## 3. SCOPE OF THE REPORT

### Regulatory guidance

- 3.1 Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.
- 3.2 This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it.
- 3.3 In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to the shareholders of Balamara.

### Adopted basis of evaluation

- 3.4 RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to approve the Proposed Transaction in the absence of any higher bid.
- 3.5 Having regard to the above, MSPCS has completed this comparison in two parts:
  - A comparison between the value of a Balamara share prior to the Proposed Transaction on a control basis and the value of a Balamara share following the Proposed Transaction on a minority basis (fairness – see Section 11 – Assessment of Fairness); and
  - An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Proposed Transaction, after reference to the value derived above (reasonableness – see Section 12 -Assessment of Reasonableness).
- 3.6 This assignment is also considered to be a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').
- 3.7 A Valuation Engagement is defined by APES 225 as follows:
  - 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'
- 3.8 This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. OUTLINE OF THE PROPOSED TRANSACTION

Balamara borrowed funds from Ample Skill to fund general working capital commitments and develop its Polish coal assets. Balamara has now received a conversion notice from Ample Skill, alerting it to its intention to convert the Convertible Notes to Shares in Balamara. The conversion of the Convertible Notes into Shares will satisfy the Company’s requirements to repay the outstanding principal amounts plus any interest and the Convertible Notes will cease to exist upon the conversion.. The Ample Skill loaned Balamara the following summarised amounts:

	Note A	Note B	Note C	Total
Issue Date	31-Jan-15	27-Jul-15	25-Jan-17	N/A
Repayment Date	4 Years	4 Years	4 Years	N/A
Principal Balance	\$4,000,000	\$7,000,000	\$7,000,000	\$18,000,000
Drawdown Balance	\$4,000,000	\$7,000,000	\$2,785,000	\$13,785,000
Already repaid/converted	\$2,250,000	-	-	\$2,250,000
<b>Prinicpal Outstanding</b>	<b>\$1,750,000</b>	<b>\$7,000,000</b>	<b>\$2,785,000</b>	<b>\$11,535,000</b>
Interest Rate	5%	5%	5%	N/A
<b>Accrued Interest</b>	<b>\$345,274</b>	<b>\$1,180,493</b>	<b>\$218,181</b>	<b>\$1,743,948</b>
Conversion Price	\$0.03	\$1m @ \$0.03 \$2m @ \$0.04 \$2m @ \$0.05 \$1m @ \$0.07 \$1m @ \$0.09	\$0.03	N/A

Source: Balamara and MSPCS analysis

Given the different conversion prices, the weighted average conversion price of the Notes is approximately \$0.04.

Rationale for the Proposed Transaction

4.1 Approximately \$8.7 million of the Convertible Notes are due to be paid in July. If the Proposed Transaction does not occur, Balamara will not be able to repay the Convertible Notes without a capital raise or asset sale.

Impact on the capital structure of Balamara

4.2 The table below sets out the impact on the capital structure of Balamara if the Proposed Transaction is approved:

	Pre-Proposed Transaction		Post Proposed Transaction	
<b>Shares on issue:</b>				
Non-Associated Shareholders	584,277,115	72%	584,277,115	51%
Ample Skill	227,688,834	28%	572,025,422	49%
<b>Total shares on issue</b>	<b>811,965,949</b>	<b>100%</b>	<b>1,156,302,537</b>	<b>100%</b>

Source: Balamara and MSPCS analysis

4.3 Non-associated Balamara Shareholders will be diluted, from holding 72% of Balamara to holding of 51% of Balamara, as a result of the Proposed Transaction.

## 5. PROFILE OF BALAMARA

5.1 Balamara Resources Limited is an Australian mining company. The company primarily engages in the exploration and development of coal resources and reserves. On 1 May 2015 Balamara was suspended from quotation at the request of the company, pending its voluntary delisting in accordance with listing rule 17.11. Subsequently on 6 May 2015, the Company was removed from the official list of the ASX. Prior to delisting Balamara had a market capitalisation of \$15.7 million.

5.2 The company currently has two key coal assets, being:

### Sawin Project (Lublin Coal Basin, thermal coal):

- Sawin is Balamara’s flagship asset with an inferred resource of approximately 1.200 Mt thermal coal within the 137 sq. km zone of the Sawin Deposit concession area, located in Eastern Poland. The Sawin Project lays in the heart of the Lublin Coal Basin. Exploration works conducted by Balamara revealed favourable mining conditions of the Sawin Deposit, with seam continuity and length.

### Nowa Ruda (Lower-Silesian Coal Basin, coking coal)

- In July 2013, Balamara was awarded the exclusive rights to the Nowa Ruda project in south-western Poland which comprises a previously developed underground mine with historical production over several decades of around 1 Mtpa of high-quality coking coal. The project holds a JORC Resource of 86.4 Mt. At present a Pre-Feasibility Study (“PFS”) is being completed.

### Balamara Board Directors

Name	Title	Experience
Derek Lenartowicz	Executive Chairman of the Board	Mr. Derek Lenartowicz, BS Eng, MSE has been an Executive Chairman of Balamara Resources Limited since August 1, 2011 and its Executive Director since May 2, 2007. Mr. Lenartowicz has extensive project development and mining experience and has held several senior positions in several natural resource companies. He is a Mining Engineer with significant experience in developing and operating large scale resource projects. Mr. Lenartowicz served as Managing Director of Balamara Resources Limited from May 3, 2007 to July 31, 2011. Mr. Lenartowicz has held high level management and board positions at various resources companies, both private and listed.
Michael Hale	Non-Executive Director	Mr. Michael Anthony Hale has served as Independent Non-Executive Director at Balamara Resources Limited from April 12, 2011. He has a long-held interest in Public Administration including service in the Cabinet Office for the State Government of Western Australia. He has previously held elected positions with the governing bodies of the City of Perth and University of Western Australia. Mr. Hale has over 35 years' experience in public administration and corporate governance, having served on various Boards.

Financial Position

5.3 We note that the auditors of Balamara have identified an inherent uncertainty regarding going concern on the basis it has a substantial working capital deficit.

5.4 We set out the financial position of Balamara below.

Table 2: Historical Statement of Financial Position of Balamara

Consolidated Statement of Financial Position		Reviewed	Audited	Audited
	Ref	31-Dec-18	30-Jun-18	30-Jun-17
		\$	\$	\$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	(a)	497,816	1,776	818,128
Trade and other receivables	(b)	217,121	175,938	182,902
Other assets		42,532	3,885,785	176,333
<b>Total Current Assets</b>		<b>757,469</b>	<b>4,063,499</b>	<b>1,177,363</b>
<b>Non-Current Assets</b>				
Other assets		18,756	22,082	65,094
Plant and equipment	(c)	52,259	59,667	51,731
Exploration and evaluation assets	(d)	100,000	100,000	100,000
<b>Total Non-Current Assets</b>		<b>171,015</b>	<b>181,749</b>	<b>216,825</b>
<b>Total Assets</b>		<b>928,484</b>	<b>4,245,248</b>	<b>1,394,188</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	(e)	3,776,843	3,679,678	2,209,525
Borrowings	(f)	10,896,950	9,953,256	8,829,502
Provisions		820,000	3,830,775	66,400
Unearned Income	(g)	4,939,303	4,939,303	3,306,829
<b>Total Current Liabilities</b>		<b>20,433,096</b>	<b>22,403,012</b>	<b>14,412,256</b>
<b>Non-Current Liabilities</b>				
Trade and other payables	(e)	3,616,827	-	-
<b>Total Non-Current Liabilities</b>		<b>3,616,827</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>24,049,923</b>	<b>22,403,012</b>	<b>14,412,256</b>
<b>NET ASSETS</b>		<b>(23,121,439)</b>	<b>(18,157,764)</b>	<b>(13,018,068)</b>
<b>EQUITY</b>				
Issued capital		83,468,611	80,718,309	80,698,659
Reserves	(h)	1,703,545	2,604,852	2,503,949
Accumulated losses		(108,137,641)	(101,321,139)	(96,002,005)
Capital and reserves attributable to owners of Balamara Resources Limited		<b>(22,965,485)</b>	<b>(17,997,978)</b>	<b>(12,799,397)</b>
Non-controlling interest	(i)	(155,954)	(159,786)	(218,671)
<b>TOTAL EQUITY</b>		<b>(23,121,439)</b>	<b>(18,157,764)</b>	<b>(13,018,068)</b>

Source: FY 18 Annual Report and HY19 Interim Report prepared by Balamara

5.5 We note the following in regard to Balamara's Financial Position as at 31 December 2018:

- a) The company increased its net cash position through the issuance of share capital and net proceeds from borrowings.

- b) The directors of Balamara have confirmed that they expect collection on all trade and other receivables.
- c) Plant and equipment primarily relate to the carrying value of computer equipment, office furniture and motor vehicles.
- d) In accordance with the Groups accounting policy, only acquisition costs are capitalised, whilst all other exploration and evaluation expenditure is expensed as incurred. Balamara writes off all assets to which it is not currently actively pursuing. The current balance relates to the Sawin and Nowa Ruda projects.
- e) The directors of Balamara have confirmed that they expect to pay all trade and other payables.
- f) In January and July 2015, the Company secured \$4m and \$7m respectively via convertible notes with its major shareholder Ample Skill. Both facilities were fully drawn at 31 December 2017, with \$2,250,000 being converted to shares in prior years at the fixed price of \$0.03 per share. In January 2017, another Note was secured from Ample Skill for \$7m. The notes are unsecured with an interest rate of 5%, convertible into equity of the parent entity at the option of the holder, or repayable by 1 August 2019, 27 July 2019, and 25 January 2021. The notes are recorded as a current liability, as the holder has the option to convert to equity at any time before maturity. These notes are otherwise referred to as the Convertible Notes within this report.
- f) The fair value as at 31 December 2018 of the convertible note liability recognised at amortised cost is \$11,087,496 (30 June 2018: \$10,123,512). Discounted cash flow models are used to determine the fair values of Convertible Notes at amortised cost. Discount rates used on the calculations are based on market interest rates existing at the end of the reporting period, consistent with those used within the recently completed pre-feasibility studies. The discount rate used at 31 December 2018 is 10.3%.
- g) In March 2017, the Company secured a contract to supply coal at an unspecified future date. An agreement has been made to prepay USD\$5m of coal, of which USD \$3.8m has been received by the company as at 31 December 2018. To secure future claims for damages against Balamara in case of breach of Contract for Supply made by Balamara, the Parties agreed to establish a collateral in the form of registered pledge, which is 20% of all the shares in the Sawin Project (Global Mineral Prospects Sp z.o.o). Balamara is owner of all 100% shares of Global Mineral Prospects Sp. Z o.o. The pricing of coal is based on market price at the date of delivery. The company has granted the buyer the exclusive and irrevocable right of first refusal to purchase Coal, upon the terms and conditions set forth in the respective contract.
- h) Under Australian Accounting Standards, the fair value of a convertible note is apportioned between debt and equity. The debt component of a convertible note that converts into a fixed number of shares is valued at the present value of its cash flows (coupons and principal). The discount rate used in the present value calculation is the interest rate that the issuer could obtain from the market on a similar debt instrument without the conversion feature. The equity component of the convertible note is the residual between the face value of the note and the value of the debt.
- i) Non-Controlling interests relate to equity comprising of Share Capital, Retained earnings, and current year loss for:
  - i. Polmetal SP. Z O.O. – 15% non-controlling interest
  - ii. Peelwood Pty Ltd – 20% non-controlling interest

## Financial Performance

5.6 We set out the financial performance of Balamara below:

Table 3: Historical Statement of Comprehensive Income of Balamara

		6 Mths Ended	Year Ended	Year Ended
		31-Dec-18	30-Jun-18	30-Jun-17
	Ref	\$	\$	\$
<b>Revenue</b>				
Interest revenue		1,285	35,097	16,997
Other income		729	124,696	5,807
<b>Total Revenue</b>		<b>2,014</b>	<b>159,793</b>	<b>22,804</b>
<b>Expense</b>				
Consultancy costs	(a)	(260,531)	(850,258)	(817,501)
Director & employee costs	(a)	(777,836)	(1,248,933)	(969,354)
Other corporate costs	(a)	(314,353)	-	(932,480)
Other corporate expenses	(a)	(84,156)	(572,485)	(1,097,430)
Professional services	(a)	(564,723)	(151,794)	(169,361)
Interest expense	(b)	(564,723)	(865,091)	(420,452)
Exploration costs expenses as incurred	(c)	(5,601,945)	(2,866,954)	(6,139,000)
Write-off of capitalised exploration expenditure	(d)	-	(9,564,645)	(625,000)
Foreign exchange gain/ (loss)		(151,124)	8,390	(1,008)
<b>Total Expenses</b>		<b>(8,319,391)</b>	<b>(16,111,770)</b>	<b>(11,171,586)</b>
<b>Profit/(loss) after tax</b>		<b>(8,317,377)</b>	<b>(15,951,977)</b>	<b>(11,148,782)</b>

Source: FY18 Annual Report and HY 19 Report prepared by Balamara

5.7 We note the following key items in relation to the statement of comprehensive income prepared by Balamara:

- a) Being in pre-production, a large portion of expenditure in Balamara related to administration costs.
- b) Interest expense relates to interest payable on the Convertible Notes.
- c) In accordance with Balamara's accounting policy all exploration and evaluation expenditure is expensed as incurred. The current balance relates to the Sawin and Nowa Ruda projects.
- d) Balamara writes off all assets to which it is not currently actively pursuing. The written off capitalised acquisition expenditure relates to Mariola, a previous project to which Balamara no longer holds the exploration licence.

## Capital Structure

5.8 Balamara currently has 811,965,949 ordinary shares on issue. Details of its substantial shareholders as at 5 June 2019 are as follows:

Table 4: Capital Structure of Balamara

Shareholders	Number of Ordinary Shares	% of Total Shares
AMPLE SKILL LIMITED	227,688,834	28%
ANDREW SPENCER DOMAN	93,636,667	12%
DEREK LENARTOWICZ	70,498,042	9%
MICHAEL RALSTON & SHARON RALSTON	61,936,812	8%
OCEAN GLAD LIMITED	21,780,382	3%
<b>Top 5 Shareholders</b>	<b>475,540,737</b>	<b>59%</b>
Other shareholders	336,425,212	41%
<b>Total Shareholders</b>	<b>811,965,949</b>	<b>100%</b>

Source: Balamara Share Registry

5.9 Ample Skill is currently the only shareholder with a controlling interest in Balamara. With a current holding of ~28% of total ordinary shares on issue, Ample Skill has the ability to block special resolutions.

## 6. PROFILE OF AMPLE SKILL

Ample Skill Limited (Ample) is currently a major Shareholder in Balamara, with a holding of 28%. The directors of Ample Skill are:

- Chee Siew Yaw: Mr Yaw is the Executive Chairman of Otto Marine Limited, a substantial Singaporean company with interests in shipbuilding and complex offshore support vessels. He is also a significant investor in several other ASX-listed junior resource stocks
- Jonathan Kwok Hung Leung is a director of Ample Skill.

The company holds its address in Hong Kong and is operated primarily from Singapore.

7. INDUSTRY BACKGROUND

Global Coal Outlook

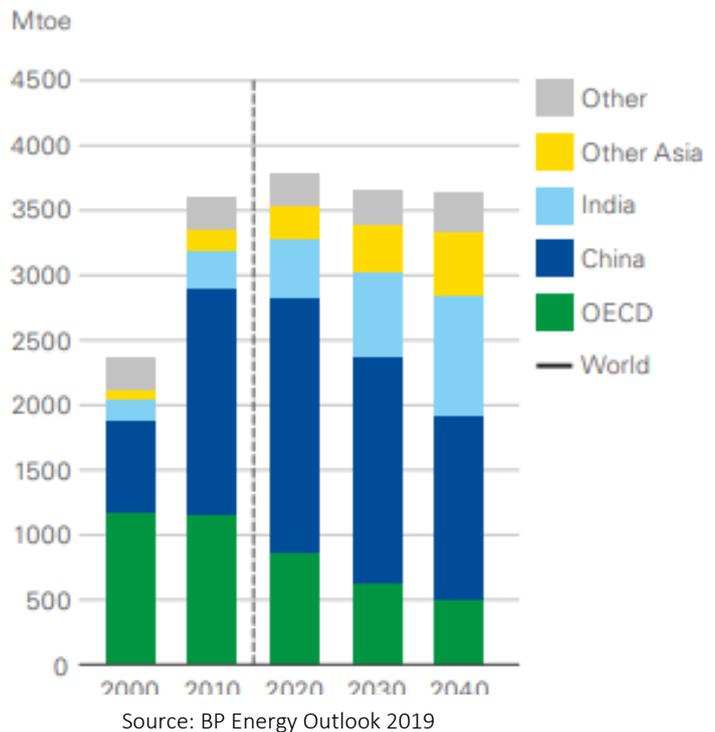
7.2 Black coals’ primary usage relates to steelmaking and energy production. The industry has seen volatile trading prices due to various disruptive changes in production, demand and supply. The growth in coal consumption has slowed in recent quarters, this is contrary to the last 20 years, which saw a major increase in the consumption of the commodity. China continues to dominate the global coal market, followed by rises in India and Asia. Global coal consumption has been seen to fall due to large decreases in the OECD, with countries becoming more aware of the environmental impact and switching towards more sustainable sources of energy.

Supply and Demand Outlook<sup>1</sup>

7.3 Global coal prices declined significantly over the three years leading to 2015-16 due to production and supply exceeding demand. Subsequently global prices increased over the last three years due to tighter production regulations in China. In February the hard-coking coal spot price sat at ~\$200 USD/tonne and is forecasted to average ~\$145 USD/tonne over 2020.

7.4 India has become the biggest growth market for coal due to a significant increase in demand for coal in India and other developing Asian countries as they experience increased growth in both their economies and population.

Coal demand by region

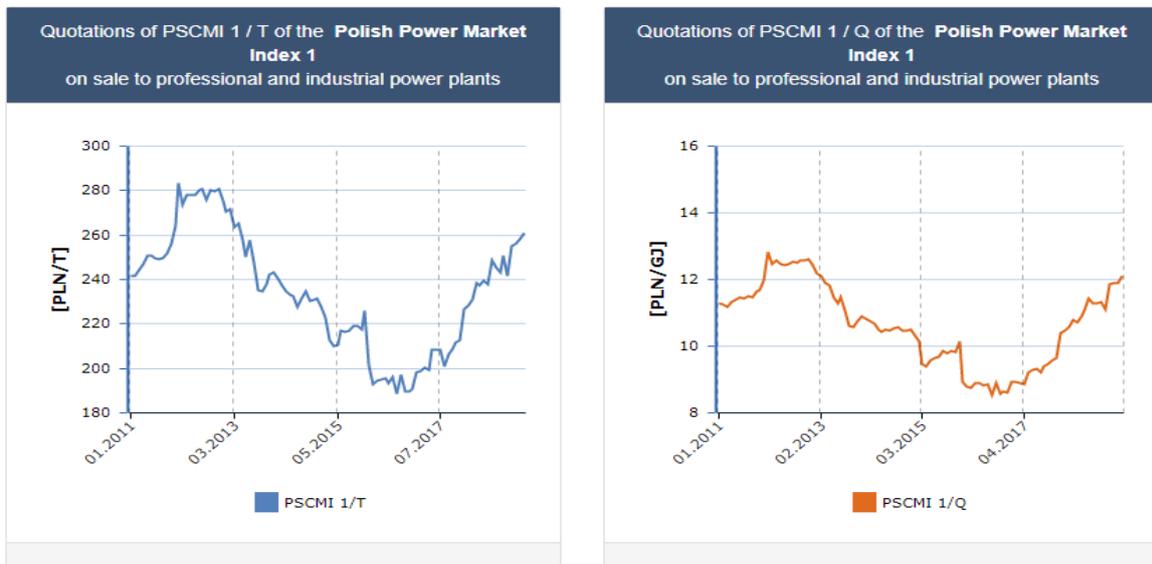


Poland Coal Industry

7.5 Poland is still one of the world’s largest coal producers. Poland was Europe’s second largest hard coal importer in 2018 and produced more than 80% of Europe’s total coal output. Poland’s main exporters of coal are Germany, the Czech Republic and Austria. Globally, Poland is the 10th largest coal consuming country, using up to 77 million tonnes of coal a year. Coal is Poland’s main source of energy with 92% of electricity and 89% of heat being produced from coal according to the Polish Energy Policy Strategy. The same source reports that until at least 2030, coal will be Poland’s principal energy source. There are concerns that Poland is currently in an oversupply of coal with traders reducing prices to as low as \$55/tonne to reduce stockpiling.

<sup>1</sup> BP Energy Outlook, 2019 Edition. <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/energy-outlook/bp-energy-outlook-2019.pdf>

The below charts represent the price of energy in professional and industrial power plants in Poland. The charts measure the price relative to Coal tonnage and contained energy.



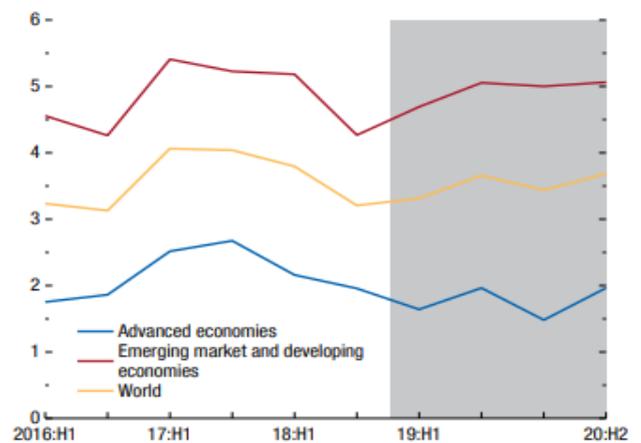
Source: Polski Rynek Wegla)<sup>2</sup>

## Global Economic Outlook

7.6 Strong global economic growth was seen in 2017 and the first half of 2018 at 3.8% but slowed towards the second half of 2018 at 3.2%. This reflects an abundance of factors affecting key economies such as China, the US and Europe. China's growth fell after regulation tightening to keep shadow banking in check and high trade tensions with the US. Europe's economy dropped due to lost consumer and business confidence, along with Germany's car production disturbance due to newly introduced emission standards. In 2019, conditions have rebounded as the wider economy become more hopeful on a trade deal between the US and China.

**Figure 1. Half-Yearly Growth Rates**  
(Annualized semiannual percent change)

Global growth is expected to level off in the first half of 2019 and firm up after that.



Source: IMF staff estimates.

## Polish Economy

7.7 Since 1989 Poland has increased its GDP per capita by nearly 150% which is more than any other European country. Their economic growth rate is expected to slow to 4% in 2019 which will see a 1% drop from 2018. The impressive growth rate has been driven by solid domestic consumption, low interest rates and increased investment. The country hosts low unemployment rates and strong wage growth which are continuing to push private consumption. While the Polish economy has historically outperformed its European counterparts, growth has been stalled by the slope of the global economy, with the slowing European economy now weighing on Poland.

<sup>2</sup> The PSCMI 1 index. Polski Rynek Wegla. <https://polskirynekwegla.pl/indeks-pscmi-1>

## 8. VALUATION APPROACH ADOPTED

There are a number of methodologies which can be used to value a business or shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market approach method (Comparable market transactions)

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

8.3 Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

8.4 In assessing whether the Proposed Transaction is fair for shareholders of Balamara, we have assessed the Proposed Transaction as a comparison between the value of a Balamara share on a control basis prior to the Proposed Transaction and the value of a Balamara share following the Proposed Transaction on a minority basis.

### Valuation of a Balamara share prior to the Proposed Transaction

8.5 In our assessment of the value of Balamara shares prior to the Proposed Transaction we have chosen to employ the sum of parts basis as our primary approach.

8.6 In our assessment of the value of a Balamara share prior the Proposed Transaction, we have adopted the following methodologies:

- Exploration assets: We have instructed Manish Garg from Mining Insights Pty Ltd ("Mining Insights") to act as independent specialist and provide an independent market valuation of Balamara's Project which conforms to the requirements in accordance with the Australian Code for Public Reporting of technical Assessments and Valuations of Minerals Assets ('the Valmin Code 2015') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC Code 2012'). Mining Insight's full report may be found in Appendix D.
- Other assets and liabilities: We have considered the net asset value of Balamara's other assets and liabilities;

8.7 Balamara has not traded on the ASX since 1 May 2015, as such there has been no liquid market to ascertain the quoted market price.

8.8 Balamara does not generate regular trading profits. Therefore, there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate;

8.9 Balamara has no reliable cash flow forecasts and therefore the application of the DCF valuation approach is not appropriate Valuation of a Balamara share following the Proposed Transaction.

## Valuation of a Balamara share post the Proposed Transaction

8.10 When valuing a Balamara share post the Proposed Transaction, we have adopted the value calculated pre the Proposed Transaction and made the following adjustments:

- Eliminated the value of the Convertible Notes converted to equity;
- Included the issue of shares in consideration for the conversion of the Notes.; and
- We have adjusted the value of a Balamara share following the Proposed Transaction to include a discount for minority interest.

9. VALUATION OF BALAMARA PRIOR TO THE PROPOSED TRANSACTION

Sum of Parts Valuation of Balamara

We have employed the Sum-of-Parts basis in estimating the fair market value of a Balamara share on a control basis prior to the Proposed Transaction.

9.2 The value of Balamara shares under a Sum of Parts valuation basis is reflected in our valuation below:

Table 5: Value of a Balamara share prior to the Proposed Transaction

	Ref	Low \$	Preferred \$	High \$
Balamara reported net assets	5.3	(23,121,439)	(23,121,439)	(23,121,439)
Less: Subsequent interest charge	9.13	(259,142)	(259,142)	(259,142)
Less: Balance sheet value of geological assets	5.3	(100,000)	(100,000)	(100,000)
Add: Sawin Project	9.4	24,000,000	29,400,000	34,800,000
Nowa Ruda Project	9.4	10,000,000	13,200,000	16,400,000
<b>Total Value of Balamara on a control basis</b>		<b>10,519,419</b>	<b>19,119,419</b>	<b>27,719,419</b>
<b>Adjustment for option value on Convertible Notes</b>				
Adjustment for embedded call option value of the Convertible Note	9.12	(1,738,519)	(1,738,519)	(1,738,519)
Control Premium	10.4	25%	30%	35%
Adjustment for embedded call option value of the Convertible Note - Control Basis		(2,173,149)	(2,260,075)	(2,347,001)
<b>Total Value of Balamara on a control basis</b>		<b>8,346,270</b>	<b>16,859,344</b>	<b>25,372,418</b>
Ordinary Shares currently issued	5.7	811,965,949	811,965,949	811,965,949
<b>Total Shares</b>		<b>811,965,949</b>	<b>811,965,949</b>	<b>811,965,949</b>
<b>Value per Share (\$)</b>		<b>0.010</b>	<b>0.021</b>	<b>0.031</b>

Source: MSPCS analysis

- 9.3 The Statement of Financial Position has been extracted from the audited financial statements of Balamara at 31 December 2018. We have been advised that there has not been a significant change in the net assets of Balamara since 31 December 2018. The table above indicates the sum of parts value of a Balamara share is between \$0.010 and \$0.031.
- 9.4 Mining Insights was instructed to provide an independent market valuation of Balamara’s two key projects, being the Sawin Project and Nowa Ruda Project. Mining Insights considered a number of different valuation methodologies when assessing the value of the Balamara two projects.
- 9.5 Mining Insights applied the Comparable Market Transaction Method and Multiple of Exploration Expenditure method when forming an opinion on the value of the Sawin Project and Nowa Ruda Project.
- 9.6 For the Market Comparable Transaction Method assessment, Mining Insights reviewed recent market transactions for exploration assets with coal mineralisation and a mineral resource in accordance with the JORC Code. Fourteen transactions were identified as appropriate. Mining Insights compared the transactions on a A\$/t Resource basis.
- 9.7 The Multiple of Exploration Expenditure method involves calculating the historic exploration expenditure of a project and applying a perspective enhancement multiplier (“PEM”) to the exploration expenditure. The PEM is a range of multiples based on whether exploration expenditure has reduced the value of the project, increased the value of the project or neither increased nor decreased the value of the project. In the case of the Sawin Project and Nowa Ruda Project, Mining Insights took the view that the expenditure had increased the value of the project.

9.8 The table below sets out the valuation of both projects held by Balamara:

Value of the Balamara's Projects	Method	Implied Value (A\$M)		
		Low	Preferred	High
Sawin	Comparable Transaction	24	30	36
	Geoscientific Rating	23.9	28.7	33.5
	<b>Selected</b>	<b>24</b>	<b>29.4</b>	<b>34.8</b>
Nowa Ruda	Comparable Transaction	8.7	13	17.3
	Geoscientific Rating	11.2	13.4	15.6
	<b>Selected</b>	<b>10</b>	<b>13.2</b>	<b>16.4</b>
<b>Total (Balamara's 100% Share)</b>		<b>33.9</b>	<b>42.6</b>	<b>51.2</b>

Source: Mining Insights

9.9 Mining Insights' Independent Technical Specialist's Report is attached in Appendix C.

9.10 We have reviewed Mining Insights report and consider the valuation methodologies appropriate for the subject assets.

9.11 There have been no adjustments to the other net assets of Balamara as we are of the opinion that their book values represent a reasonably accurate assessment of asset value on a going concern basis. We have been advised by the management of Balamara that there has not been a material change in the book value of these assets subsequent to 31 December 2018 audited accounts.

9.12 We have adjusted the net assets of Balamara for the value of the equity component of the Convertible Note. The equity component is derived from the residual of the face value of the Convertible Notes less the net present value of the Convertible Notes. We have adjusted the option value for a control premium.

9.13 We have adjusted for any subsequent interest charged on the Notes between 31 December 2018 and 13 June 2019. Based on the 5% interest rate incurred on the Notes, the interest charged in this timeframe is \$259,142.

9.14 We note that Balamara has held or currently holds interests in other exploration assets that have been relinquished or intend to be relinquished. As such, we do not consider it appropriate to value any other exploration interests held by Balamara and do not consider this to be material to our opinion.

**Control Premium**

9.15 In using the SOP method (containing NAV and a geological expert valuation) to value a Balamara share, a premium for control has already been factored into the share value.

9.16 Therefore, our calculation of the fair market value of a Balamara share has been prepared on a control basis.

**Assessment of Balamara Value including control premium**

9.17 The assessed value of a Balamara share including a premium for control is set out below:

**Table 6: Value of a Balamara share prior to the Proposed Transaction on a control basis**

Value of a Balamara share on a control basis	Low \$	Preferred \$	High \$
Value of a Balamara share on a controlling interest basis prior to the Proposed Transaction	0.010	0.021	0.031

Source: MSPCS analysis

9.11 Therefore, our valuation of a Balamara share based on a Sum of Parts basis and including a premium for control is between \$0.010 and \$0.031.

10. VALUATION OF A BALAMARA SHARE IF THE PROPOSED TRANSACTION IS APPROVED

10.1 For our valuation of a Balamara share if the Proposed Transaction is approved, we have adopted a Sum of Parts methodology.

Sum of Parts Valuation

10.2 We have assessed the value of a Balamara share on a minority basis to be between \$0.014 and \$0.27 per share if the Proposed Transaction is approved, based on the Sum of Parts valuation methodology, as summarised in the table below:

Table 7: Value of a Balamara share if the Proposed Transaction is approved

	Ref	Low \$	Preferred \$	High \$
Value of Balamara pre the Proposed Transaction	9.2	8,346,270	16,859,344	25,372,418
Add back Convertible Notes:				
Book value of Notes	10.4	9,796,481	9,796,481	9,796,481
Interest	10.4	1,743,948	1,743,948	1,743,948
Embedded call option	10.4	2,173,149	2,260,075	2,347,001
<b>Total Value of Balamara following the Proposed Transaction</b>		<b>22,059,848</b>	<b>30,659,848</b>	<b>39,259,848</b>
Minority discount	10.4-10.6	26%	23%	20%
<b>Equity value of Balamara on a minority basis</b>		<b>16,340,628</b>	<b>23,584,498</b>	<b>31,407,878</b>
Ordinary Balamara shares currently issued	5.7	811,965,949	811,965,949	811,965,949
Shares issued under debt conversion	10.4	344,336,588	344,336,588	344,336,588
<b>Total shares on issue if the Proposed Transaction is approved</b>		<b>1,156,302,537</b>	<b>1,156,302,537</b>	<b>1,156,302,537</b>
<b>Value per Balamara share A\$</b>		<b>0.014</b>	<b>0.020</b>	<b>0.027</b>

Source: Moore Stephens analysis

10.3 The following paragraphs set out the explanations for the adjustments in the table above.

10.4 Upon conversion of the Convertible Notes from debt to equity:

- The debt portion of the Convertible Notes will be added back to the total value, as the liability will no longer be due.
- The interest payable from the Convertible Notes will be added back to the total value, as the liability will no longer be due.
- The call option value of the Convertible Note will be added back to the value as the notes will convert to equity and there will no longer be an embedded call option.
- 344,336,588 Balamara shares will be issued to Ample Skill as a result of the debt conversion.

10.5 We have reviewed the control premiums paid in recent years by companies listed on the ASX. There is significant variability in control premiums paid which are affected by such factors as:

- Nature and magnitude of non-operating assets;
- Quality of management;
- Nature and magnitude of business opportunities/assets not currently being exploited;
- Degree and confidence in future synergies;
- Level of pre-announcement speculation of the transaction;

- Level of liquidity in the trade of the acquiree's securities; and
- The stage in the economic cycle.

10.6 A review of control premiums paid by acquirers of companies listed on the ASX in recent years indicates a range of premiums between 25% and 35% is reasonable.

10.7 A minority interest discount is the inverse of a premium for control and is calculated using the formula  $1 - [1 / (1 + \text{control premium})]$ . Based on the premium for control analysis above, the appropriate minority interest discount is 20% - 26%.

**11. IS THE PROPOSED TRANSACTION FAIR TO BALAMARA SHAREHOLDERS?**

11.2 Our assessed values of a Balamara share are summarised in the table and figure below.

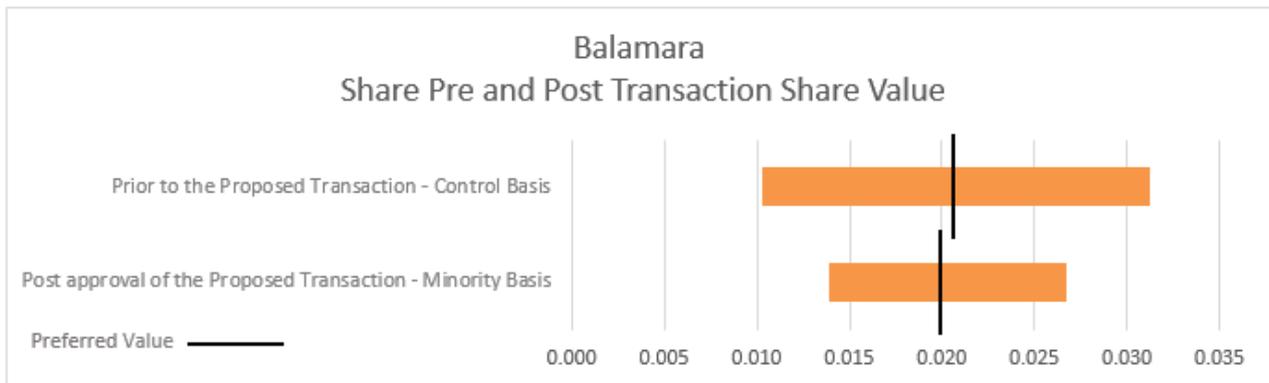
**Table 8: Assessed values of a Balamara share pre and post Proposed Transaction approval**

		Section	Low \$	Preferred \$	High \$
Pre Proposed Transaction	Assessed Fair Value of a Balamara share prior to the Proposed Transaction (control basis)	9	0.010	0.021	0.031
Post Proposed Transaction	Assessed Fair Value a Balamara share if the Proposed Transaction is approved (minority basis)	10	0.014	0.020	0.027

Source: Moore Stephens analysis

11.3 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with Section 611 of the Corporations Act 2001, we consider the Proposed Transaction is not fair to the Non-Associated Shareholders of Balamara, as the preferred value of a Balamara share before the Proposed Transaction is higher than the preferred value of an Balamara share if the Proposed Transaction is approved.

**Figure 1: Pre and post Proposed Transaction valuations of a Balamara share**



Source: Moore Stephens analysis

12. IS THE PROPOSED TRANSACTION REASONABLE?

12.1 RG111 establishes that a Proposed Transaction is reasonable if it is fair. Further, in our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of Balamara if the Proposed Transaction is not approved; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of approving the Proposed Transaction.

Future prospects of Balamara if the Proposed Transaction is not approved

12.2 If the Proposed Transaction does not proceed then the company will be required to repay approximately \$13.17 million in debt (convertible note face value plus accrued interest). It is unlikely the company will have liquid cashflow capacity to meet this obligation. This repayment obligation will have a detrimental effect on the working capital of Balamara and may result in a significant cut back in operations, liquidation of assets or a capital raising.

Advantages and disadvantages

12.3 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction is approved, than if it is not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

*Advantage 1 – A comparison of like for like valuations pre and post indicates a minority interest in Balamara post the Proposed Transaction is greater than the value pre the Proposed Transaction*

12.4 Ample Skill already holds a controlling interest of 28% in Balamara. Ample Skill will continue to hold a controlling interest post the Proposed Transaction. If we were to compare the value of Balamara on a minority basis pre and post the Proposed Transaction, the post Proposed Transaction value will be greater than the pre Proposed Transaction value.

Far value of a Balamara share on a minority interest basis	Section	Low \$	Preferred \$	High \$
Pre-Proposed Transaction	9	0.008	0.016	0.025
Post-Proposed Transaction	10	0.014	0.020	0.027

As Ample Skill Held a controlling interest prior to the proposed transaction it could be argued that the interests of non-associated Balamara shareholders should not be valued on a controlling interest (or a reduced control premium should be applied).

*Advantage 2 - The company will extinguish \$13.7 million of debt which would be otherwise payable at the respective Repayment Dates.*

12.5 If the notes are converted to equity, the \$13.7 million of debt, owed to Ample Skill will be extinguished. This debt would be due for repayment at the respective Repayment Dates. The debt is the amount owing on the Notes as a result of principal and interest outstanding, yet to be repaid to Ample Skill. The conversion of the Notes to equity will result in the liability being removed and resultant Balamara shares being issued. Approximately \$8.7 million in Convertible Notes and \$1.5 million of accrued interest is due to be repaid in July.

*Advantage 3 - If the Convertible Notes are not converted into shares, the Company may not be able to meet the repayment due.*

12.6 Based on current liquidity levels of Balamara does not have capacity to repay the Convertible Notes without causing immediate detriment to the company, with approximately \$10.3 million due to be

repaid by July 2019. The company would be required to sell a significant portion of its assets, conduct a capital raise (further diluting existing shareholders), or assume more debt to meet its obligations.

**Disadvantages of approving the Proposed Transaction**

*Disadvantage 1 – The Proposed Transaction is not fair*

12.7 As set out in Section 11, the Proposed Transaction is not fair.

*Disadvantage 2 - Existing shareholders will be diluted*

12.8 The conversion of the notes will result in the issue of new shares to Ample Skill. This will result in dilution to existing shareholders, where non- associated shareholders combined interests could reduce from 78% to approximately 51%.

*Disadvantage 3 – Consolidation of controlling interest by Ample Skill*

12.9 Upon conversion of the \$13.17 million debt outstanding in to shares, Ample Skill will further consolidate its control over Balamara, holding approximately 49% of Balamara’s total shareholding.

12.10 The table below outlines the influence a shareholder (or group of shareholders) has over a company, based on the total shares held:

Controlling interest	Influence on Company
>5%	ability to requisition a general meeting of the Company
>10%	ability to prevent a compulsory acquisition
>25%	ability to block special resolutions
>50%	ability to pass general resolutions
>75%	ability to pass special resolutions

12.11 Based on the above it is likely that Ample Skill will be able to pass general resolutions. This is because Ample Skill will hold almost 50% of the issued capital of Balamara and it would require almost all other shareholders to vote in order to prevent Ample Skill’s interest representing more than 50% of voting.

**Alternative Proposal**

12.12 We are not aware of any alternative proposal that is being considered or has been presented by Balamara at the current time which might provide a greater benefit than the Proposed Transaction.

**Conclusion on Reasonableness**

12.13 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior Proposed Transaction, we consider that the Proposed Transaction is reasonable for the Non- Associated Shareholders of Balamara.

12.14 An individual shareholder’s decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

## 13. INDEPENDENCE

- 13.1 Moore Stephens Perth Corporate Services Pty Ltd is entitled to receive a fee of approximately \$20,000, excluding GST and reimbursement of out of pocket expenses. Except for this fee Moore Stephens Perth Corporate Services Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.
- 13.2 Prior to accepting this engagement Moore Stephens Perth Corporate Services Pty Ltd has considered its independence with respect to Balamara, and any of their respective associates with reference to RG 112, Independence of Expert's Reports. It is the opinion of Moore Stephens Perth Corporate Services Pty Ltd that it is independent of Balamara and their respective associates.
- 13.3 Moore Stephens Perth Corporate Services Pty Ltd has not had at the date of this report any relationship which may impair their independence.
- 13.4 We have held discussions with management of Balamara regarding the information contained in this report. We did not change the methodology used in our assessment as a result of discussions and our independence has not been impaired in any way.

## 14. QUALIFICATIONS

- 14.1 Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.
- 14.2 Moore Stephens Perth Corporate Services Pty Ltd is a professional practice company, wholly owned by the Perth practice of Moore Stephens, Chartered Accountants. The firm is part of the National and International network of Moore Stephens independent firms and provides a wide range of professional accounting and business advisory services.
- 14.3 Moore Stephens Perth Corporate Services Pty Ltd holds an Australian Financial Services License to provide financial product advice on securities to retail clients (by way of experts reports pursuant to the listing rules of the ASX and the Corporations Act) and its principals and owners are suitably professionally qualified, with substantial experience in professional practice.
- 14.4 The director responsible for the preparation and signing of this report is Mr Peter Gray who is a director of Moore Stephens Perth Corporate Services Pty Ltd. Mr Gray is a Chartered Accountant and is RG146 compliant. Mr Gray has approximately 15 years’ experience in capital markets and corporate finance and has significant experience in the preparation of independent expert’s reports, valuations, valuation methodology and related advice.
- 14.5 At the date of this report neither Mr Gray, nor any member or Director of Moore Stephens Perth Corporate Services Pty Ltd, has any interest in the outcome of the Proposed Transaction.

## 15. DISCLAIMERS AND CONSENTS

- 15.1 Moore Stephens Perth Corporate Services Pty Ltd has been requested to prepare this report, to be included in the Notice of Meeting which will be sent to Balamara's shareholders.
- 15.2 Moore Stephens Perth Corporate Services Pty Ltd consents to this report being included in the Notice of Meeting to be sent to shareholders of Balamara. This report or any reference thereto is not to be included in, or attached to any other document, statement or letter without prior consent from Moore Stephens Perth Corporate Services Pty Ltd.
- 15.3 Moore Stephens Perth Corporate Services Pty Ltd has not conducted any form of audit, or any verification of information provided to us, and which we have relied upon in regard to Balamara, however we have no reason to believe that any of the information provided, is false or materially incorrect.
- 15.4 The statements and opinions provided in this report are given in good faith and in the belief that they are not false, misleading or incomplete.
- 15.5 Neither Moore Stephens Perth Corporate Services Pty Ltd nor Mr Gray take any responsibility for, nor have they authorised or caused the issue of, any part of this report for any third-party other than the shareholders of Balamara in the context of the scope and purpose defined in section 3 of this report.
- 15.6 With respect to taxation implications it is recommended that individual shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own specific circumstances. The advice provided in this report does not constitute legal or taxation advice to shareholders of Balamara or any other party.
- 15.7 The statements and opinions expressed in this report are given in good faith and with reliance upon information generated both independently and internally and with regard to all of the circumstances pertaining to the Proposed Transaction.
- 15.8 In regard to any projected financial information noted in this report, no member or director of Moore Stephens Perth Corporate Services Pty Ltd has had any involvement in the preparation of the projected financial information.
- 15.9 Furthermore, we do not provide any opinion whatsoever as to any projected financial or other results prepared for Balamara, and in particular do not provide any opinion as to whether or not any projected financial results referred to in the report will or will not be achieved.
- 15.10 Liability limited by a scheme approved under Professional Standards Legislation.

Yours faithfully

Peter Gray  
Director  
Moore Stephens Perth Corporate Services Pty Ltd

**APPENDIX A – SOURCES OF INFORMATION**

In preparing this report we have relied upon the following principal sources of information:

- Convertible Note term sheets between Balamara and Ample Skill;
- Balamara audited financial statements for the years ended 30 June 2018 and 30 June 2017;
- Balamara audited financial statements for the half year ended 31 December 2018;
- Independent Specialist Report on Sawin and Nowa Ruda Projects prepared by Mining Insights;
- S&P Capital IQ, IBIS World and other financial databases and subscription services;
- Information in the public domain; and
- Discussions with directors of Balamara

### Valuation Methodologies and Approaches

#### Discounted Cash Flow Method

Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to their net present value. These methods are appropriate where a forecast of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

#### Capitalisation of Maintainable Earnings Method

The capitalisation of maintainable earnings method estimates "fair market value" or "enterprise value", by estimating a company's future maintainable earnings and dividing this by a market capitalisation rate. The capitalisation rate represents the return an investor would expect to earn from investing in the company which is commensurate with the individual risks associated with the business.

It is appropriate to apply the capitalisation of maintainable earnings method where there is an established and relatively stable level of earnings which is likely to be sustained into the foreseeable future.

The measure of earnings will need to be assessed and can include, net profit after taxes, (NPAT), earnings before interest and taxes (EBIT and earnings before interest, taxes, depreciation and amortisation (EBITDA).

The capitalisation of maintainable earnings method can also be considered a market based methodology as the appropriate capitalisation rate or 'earnings multiple' is based on evidence of market transactions involving comparable companies.

An extension of the capitalisation of maintainable earnings method involves the calculation of share value of an entity. This process involves the calculation of the enterprise value, which is then adjusted for the net tangible assets of the entity.

#### Net Assets Value Method (Orderly Realisation of Assets)

The net assets value method (assuming an orderly realisation of assets) estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

**Liquidation of assets** - The Liquidation method is similar to the orderly realisation of asset method except the liquidation method assumes the assets are sold in a shorter time frame.

**Net assets** – The net assets method is based on the value of the assets of a business less certain liabilities at book values, adjusted to a market value.

The asset based approach, as a general rule, ignores the possibility that a company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements, and goodwill.

The asset based approach is most appropriate when companies are not profitable, a significant proportion of assets are liquid, or for asset holding companies.

**Cost Based Approach** - The cost based approach involves determining the fair market value of an asset by deducting the accumulated depreciation from the asset's replacement cost at current prices.

Like the asset based approach, the cost based approach has a number of disadvantages, primarily that the cost of an asset does not necessarily reflect the assets ability to generate income. Accordingly this approach is only useful in limited circumstances, usually associated with intangible asset valuation.

#### Quoted Market Price Methodology

The method relies on the pricing benchmarks set by sale and purchase transactions in a fully informed market the ASX which is subject to continuous disclosure rules aimed at providing that market with the necessary information to make informed decisions to buy or to sell.

Consequently, this approach provides a "fair price", independently determined by a real market. However the question of a fair price for a particular transaction requires an assessment in the context of that transaction taken as a whole.

In taking a quoted market price based assessment of the consideration to both parties to the proposed transaction, the overall reasonableness and benefits to the non-participating shareholders must be carefully evaluated.

#### Market Approach Method

The market based approach estimates a company's fair market value by considering the market prices of transactions in its shares or the market value of comparable assets.

This includes, consideration of any recent genuine Proposed Transactions received by the target for an entire entity's business, or any business units or asset as a basis for the valuation of those business units or assets, or prices for recent sales of similar assets

**APPENDIX C - GLOSSARY**

In this report, unless the context requires otherwise:

Term	Meaning
AFC	Australian Financial Complaints Limited
Ample Skill	Ample Skill Limited
APES 225	Accounting Professional & Ethical Standards Board professional standard APEX 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange or ASX Limited ACN 008 624 691
Balamara	Balamara Limited
Business Day	has the meaning given in the Listing Rules
Company	Balamara Limited
Control Basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
Conversion Price	The equity share price at which the Convertible Notes convert from debt.
Conversion Shares	The shares issued upon conversion of the Convertible Notes
DCF	Discounted cash flows
DFS	Definite Feasibility Study
Drawdown Date	The date on which the Convertible Notes is drawn down by Balamara
Fair Value	Unbiased estimate of the potential market price of a good, service, or asset.
FME	Future maintainable earnings
FSG	Financial Services Guide
IER	This Independent Expert Report
Listing Rules	the official listing rules of ASX and includes the business rules of ASX
Mining Insights	Mining Insights Pty Ltd
Minority Basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Moore Stephens or MSPCS	Moore Stephens Perth Corporate Services Pty Ltd
NAV	Net asset value
Non-Associated Shareholders	Shareholders who are not a related party to Ample Skill
Notes	Convertible Notes issues from Ample Skill to Balamara
Notice of Meeting	Means the Notice of Meeting called on the
NPV	Net Present Value
Outstanding Monies	The total drawn drawdown amount on the Convertible Notes which is currently unrepaid.
PEM	Prospectively enhancement multiplier
PFS	Pre-Feasibility Study
Proposed Transaction	As set out in Section 4 of this report
QMP	Quoted market price
Repayment Date	The date on which the Convertible Note repayment is due
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RG 112	ASIC Regulatory Guide 112 Contents of Expert's Reports
S&P Capital IQ	An entity of Standard and Poors which is a third-party provider of company and other financial information.
SOP	Some of parts
The Act	The Corporations Act 2001
VWAP	Volume weighted average share price

APPENDIX D – MINING INSIGHTS’ INDEPENDENT EXPERT REPORT

# Independent Mineral Asset Valuation Report – Balamara Resources Ltd.

Report Prepared for  
Moore Stephens Perth Corporate Services Pty Ltd.



Report Prepared by



June 2019

## Moore Stephens Perth Corporate Services Pty Ltd

Independent Mineral Asset Valuation Report – Balamara Resources Ltd.

---

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**25 June 2019**

**Project Number P1903**

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## Key abbreviations

ASL	Above Sea Level
Anticline	An anticline is a fold that is convex, with older layers closer to the centre or core
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Balamara	Balamara Resources Limited
\$ or AUD	Australian dollars
AusIMM	Australian Institute of Mining and Metallurgy
Cc	Cubic Centimetre
Cretaceous	Geological period (70 million years to 140 million years ago)
EEM	Exploration expenditure multiples (method of mineral valuation)
Formation	A formation consists of a certain number of rock strata units that have a comparable lithology, facies, or other similar properties
Gm	Gram
Ha	Hectare(s)
JORC	2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Km	Kilometre(s)
km <sup>2</sup>	Square kilometre(s)
M	Million
Member	A lithostratigraphic unit of subordinate rank, comprising some specially developed part of a Formation
Mt	Millions of tonnes
Mtpa	Millions of tonnes per annum
NPV	Net present value
Mining Insights	Mining Insights Pty Ltd
RD	Relative density
Syncline	A syncline is a fold that is concave, with younger layers closer to the centre of the structure or core
T	Tonne
USD	United States Dollar
VALMIN	2015 Edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports

## Executive Summary

Balamara Resource Limited (Balamara) is an unlisted limited liability company with interests in thermal and coking coal assets in Poland. Its major assets include the Sawin Thermal Coal Project located in the Lublin Coal Basin in eastern Poland and Nowa Ruda Coking Coal Project in the Lower Silesian Coal Basin, in southern Poland.

Balamara is proposing to issue new shares to its largest shareholder Ample Skill Limited (“Ample”), pursuant to existing convertible notes (the “Transaction”). Ample currently holds in excess of 20% of the voting shares in Balamara. Balamara intends to seek shareholder approval for the issue of shares to Ample and an Independent Expert Report (IER) is required under section 611 (Item 7) of the Corporations Act 2001 to accompany the notice of meeting for the shareholder meeting.

Mining Insights Pty Limited (Mining Insights) was instructed by Moore Stephens Perth Corporate Services Pty Limited (Moore Stephens) to prepare an Independent Mineral Asset Valuation Report (IVR or Report) which Moore Stephens will use as part of their IER for the mineral assets held by Balamara.

This Report is complete up to and including 24 May 2019. A draft of the technical component of the report was provided to Balamara, along with a written request to identify any material errors or omissions prior to lodgement.

## Tenements

Mineral assets held by Balamara includes:

- 100% holding in Tenement 8/2017/p (Sawin) and
- 100% holding in Tenement 8/2013/p (Nowa Ruda).

## Sawin Project

The Sawin Project is located within the Lublin Coal Basin (LCB) in the eastern part of Poland, close to the Ukraine border. The Sawin Project lies immediately adjacent to the concession owned by Prairie Mining Limited, which in turn is adjacent to the Bogdanka thermal coal mine operated by listed Polish mining company Lubelski Wegiel Bogdanka SA. The Sawin Project is approximately 22 km due east from the currently operating Bogdanka coal mine.

The Sawin deposit was extensively drilled between 1966 and 1982. Polish Geological Institute also constructed a geological model of the deposit based on this drilling. A total of 56 drill holes which varied in depth from 681m to 1350m drilled. As a condition of obtaining the Sawin concession, Balamara has undertaken to drill a nine-hole programme originally estimated at a total of 6885 metres. Balamara announced that it has now completed the nine (9) hole in-fill program in 2018.

The Maiden JORC Coal Resource estimate was prepared and reported by Mr Craig Williams of HDR in 2015. The Coal Resources that have been estimated, classified, and reported according to the JORC Code (2012) are detailed in the following Table.

### Coal Resource Estimate for Sawin (as at 4 March 2015)

Resource Classification	Mass (Mt)	Ash (adb) %	Moisture (adb) %	GCV (adb) kcal/kg	Volatile Matter (adb) %	Relative Density (adb) %	Total Sulphur (adb) %
Inferred	1,200	10.0	3.5	6,900	33.0	1.3	1.7
<b>Total</b>	<b>1,200</b>						

*Note: the estimate incorporates a minimum seam thickness of 0.6 m and a depth limit of no less than 80 m below the topographic surface.*

In the Southern portion of the concession is a National Park. This park has effectively sterilised a large area of the concession with the prohibition of development and extraction within the area of the park. Balamara held further discussions with the Dept. of Natural Resources and identified restriction of exploitation in the national parks area. Preliminary mine planning indicates that the presence of natural park is restricting exploitation on approximately 50% of the Coal Resource.

A conceptual mine plan for the Sawin Project was developed in consideration of the concession boundary, potential for the concession extension to the east, the impact of the National Park located within the concession, seam thickness and access location, major faulting, and neighbouring concessions. The preliminary mine plan is based on the longwall mining method. It plans to use both shearer or plough longwall systems - depending on seam thickness and minimum mining height.

Most of the potential customers for the proposed Sawin Project is accessible by the rail network. There are 10 coal-fired power plants (9 operational and 1 proposed) located within 200-250 km radius of the Sawin Project.

### **Nowa Ruda Project**

The Nowa Ruda Project lies in the Lower Silesian Coal Basin close to the Czech Republic border. The Project covers a surface land area of approximately 20km<sup>2</sup> in close proximity to the key infrastructure including roads, rail, power, and water.

The project comprises of a single lease area covering two large, adjacent underground coal deposits – known as the Waclaw and Piast deposits. The coal deposit is predominantly coking coal in nature along with some anthracite coal & high-grade thermal coal.

The geology of the project area is well understood and the stratigraphy of the deposits is well documented. Nowa Ruda was a historically producing mine, which was closed due to a decline in coal price, mainly caused by reduced domestic consumption.

Historical drilling involved 6 surface holes drilled in Waclaw from 1964 to 1985. 5 surface drill holes were drilled in Lech during 1968-1981. A total of 1243 underground holes have been drilled from 1961-1994. An additional seven-hole (6,920m) drilling programme was completed between 2013 and 2015. This programme comprised a total of three holes at the Waclaw deposit and four holes at Lech deposit. A total of 55 coal quality samples were taken and coal washability test work was also completed.

The Maiden Coal Resource estimate was prepared and reported by Mr Craig Williams of HDR in 2015. The Coal Resources that have been estimated, classified, and reported according to the JORC Code (2012) are detailed in Table below.

#### Coal Resource Estimate as at 1 June 2015

Resource Classification	Mass (Mt)	Thickness (m)	Yield Theoretical F1.55 (adb) %	Relative Density (adb)
Measured	10.5	1.9	72	1.58
Indicated	20	1.4	67	1.57
Inferred	56	1.4	66	1.58
<b>TOTAL</b>	<b>86.5</b>			

*Note: the estimate incorporates a minimum seam thickness of 0.6 m and a float 1.55 theoretical yield >35%*

Balamara Resources was awarded approval of the District Mine Bureau (O.U.G.) in Wrocław for its Deposit Development Plan in June 2015. During 2018, Balamara has seen the granting of environmental approval at Nowa Ruda and has subsequently lodged the mining license application. Balamara estimates that permitting and licensing to be completed in the first half of 2019.

## Valuation

In forming its opinion of the reasonable value of Balamara's tenements, Mining Insights has taken guidance from the comparable market transactions method and multiples of exploration expenditure methods. In selecting its overall value range and preferred value, Mining Insights has placed equal weight on the values implied by the Comparable Transaction and Multiple of Exploration Expenditure Methods, with a preferred value being halfway between the low and high-value range. Summary for the Balamara's tenements (on 100% basis) is shown in the following Table.

#### Valuation Summary

Property	Mineral Resource (Mt)	Valuation (A\$M)		
		Lower	Preferred	Upper
Sawin Project	1200	24.0	29.4	34.8
Nowa Ruda	86.5	10.0	13.2	16.4
<b>Total (100% Basis)</b>		<b>33.9</b>	<b>42.6</b>	<b>51.2</b>

Based on Market Comparable and Geoscientific Rating method, the valuation for Balamara's relevant interest in its portfolio of tenements has been determined to be in the range of A\$33.9M to A\$51.2M with a preferred value of A\$42.6M. This valuation range is considered appropriate for the projects at this stage of development, reflecting the uncertainty of eventual extraction of a mineral resource.

## 1 Introduction

Balamara Resource Limited (Balamara) is an unlisted limited liability company with interests in thermal and coking coal assets in Poland. Its major assets include the Sawin Thermal Coal Project located in the Lublin Coal Basin in eastern Poland and Nowa Ruda Coking Coal Project in the Lower Silesian Coal Basin, in southern Poland.

Balamara is proposing to issue new shares to its largest shareholder Ample Skill Limited (“Ample”), pursuant to existing convertible notes (the “Transaction”). Ample currently holds in excess of 20% of the voting shares in Balamara. Balamara intends to seek shareholder approval for the issue of shares to Ample and an Independent Expert Report (IER) is required under section 611 (Item 7) of the Corporations Act 2001 to accompany the notice of meeting for the shareholder meeting.

Mining Insights Pty Limited (Mining Insights) was instructed by Moore Stephens Perth Corporate Services Pty Limited (Moore Stephens) to prepare an Independent Mineral Asset Valuation Report (IVR or Report) which Moore Stephens will use as part of their IER for the mineral assets held by Balamara being:

- 100% holding in Tenement 8/2017/p (Sawin) and
- 100% holding in Tenement 8/2013/p (Nowa Ruda).

This Report is complete up to and including 24 May 2019. A draft of the technical component of the report was provided to Balamara, along with a written request to identify any material errors or omissions prior to lodgement.

### 1.1 Scope

Moore Stephens has requested that Mining Insights provide an independent assessment and valuation of the following:

- Mineral asset valuation of the Sawin Thermal Coal Project and
- Mineral asset valuation of the Nowa Ruda Project.

### 1.2 Compliance with JORC and VALMIN Code

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports 2015 Edition (“The VALMIN Code”) and the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves 2012 Edition (The JORC Code).

Both codes are binding upon Members of the Australian Institute of Geoscientists (AIG), the Australasian Institute of Mining and Metallurgy (AusIMM), the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves and the rules and guidelines issued by such bodies as ASIC and Australian Securities Exchange (ASX), which pertain to Independent Experts’ Reports.

The authors have taken due note of the rules and guidelines issued by bodies such as the Australian Securities and Investments Commission (ASIC) and the ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

### **1.3 Qualifications**

The principal person responsible for the preparation of this report is Mr Manish Garg (Director), a Mineral Valuation Specialist. He is assisted by Mr Rob Wason (Senior Geologist).

Mr Manish Garg [BEng (Minerals Engineering), Masters of Applied Finance, MAusIMM] is a mineral asset valuation specialist with over 30 years' experience in mining operations, mining feasibility studies, consulting and corporate roles in lead, zinc, copper, nickel, gold, graphite and coal – project management, metallurgy, scoping study and valuation.

Mr Rob Wason [BSc (Geology), MSc (Geology), MAusIMM] is a geologist with over 10 years' experience in the mining industry as an exploration geologist and a geological consultant. Rob has worked as a consulting geologist for over 5 years assessing geological projects globally including Australia, South America, Asia and Europe.

The information in this Report that relates to the technical assessment and valuation of mineral assets reflects information compiled and conclusions derived by Mr Manish Garg and Mr Rob Wason who are both Members of the Australasian Institute of Mining and Metallurgy. Mr Garg and Mr Wason are consultants to Mining Insights and not related parties to Balamara or Ample.

Mr Garg and Mr Wason have sufficient experience relevant to the technical assessment and valuation of the mineral assets under consideration and to the activity which they are undertaking to qualify as Practitioners as defined in the 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets. Mr Garg and Mr Wason consent to the inclusion in the Report of the matters based on the information in the form and context in which it appears.

### **1.4 Data Sources**

Mining Insights has based its review of the projects on the information made available to the principal author by Balamara along with technical reports prepared by consultants, government agencies and previous tenements holders, and other relevant published and unpublished data. Mining Insights has relied upon discussions with Balamara' management as well as recent exploration reports for the information contained within this Report.

Mining Insights has used its reasonable endeavours to verify the accuracy and completeness of the information provided to it by Balamara on which it has relied in compiling the Report. We have no reasons to believe that any of the information or explanation so supplied are false or that material information has been withheld.

## 1.5 Site Visit

The mineral asset valuation specialist involved in this assignment have previously visited the site in 2016. Mining Insights' did not consider that a site visit was warranted as it was considered that a site visit would not reveal any new information or data material to the outcome of this Report. Mineral Valuation Specialist is satisfied that there is sufficient current information available to allow an informed evaluation to be made without an inspection.

## 1.6 Tenement Status Verification

The legal firm, Advocate Andrzej Krauze was engaged by the company to provide an independent assessment of the status of its tenements in Poland. Advocate Andrzej Krauze, in its report dated 18 April 2019 has found that:

- 1: All the listed licenses are valid and in force;
- 2: The annual rentals for all the licenses have been paid and are up to date.

Mining Insights notes that it is not qualified to make legal representations in regards to the ownership and legal standing of the mineral tenements that are the subject of this valuation.

Mining Insights has relied on the accuracy and completeness of the tenure documentation supplied to it by Advocate Andrzej Krauze and Balamara. Mining Insights has made all reasonable enquiries and has cross-checked these licences against publicly available datasets.

## 1.7 Independence

Neither Mining Insights nor the author(s) of this report, have or have previously had, any material interest in Balamara or its projects/assets. Mining Insights' relationship with Moore Stephens and Balamara is solely one of professional association between client, project owner and independent consultant.

Mining Insights has no prior association with Balamara apart from Manish Garg providing advise on economic assessment to Balamara during 2015 as part of his previous salaried employment with HDR. He has not signed-off on any Resource or Reserve estimates for these projects.

Mining Insights has no beneficial interest in the outcome of this report being capable of affecting its independence.

## 1.8 Professional Fees

Mining Insights' estimated fee for completing this report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, Mining Insights' knowledge of the assets and the availability of data. The fee payable to Mining Insights for this engagement is estimated at

approximately \$20,000. The payment of this professional fee is not contingent upon the outcome of the report.

## **1.9 Consent**

Mining Insights consents to this report being included, in full, in Moore Stephens' IER in the form and context in which the technical assessment is provided, and not for any other purpose.

Mining Insights provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this report are considered with, and not independently of, the information set out in the complete report.

## **1.10 Disclaimer**

The opinions expressed in this report are appropriate as of 24 April 2019. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars (A\$) unless otherwise stated. Mining Insights services exclude any commentary on the fairness or reasonableness of any consideration in relation to this acquisition.

The opinions expressed in this Report are based upon the information supplied to Mining Insights by Balamara. The opinions in this Report are provided in response to a specific request from Moore Stephens to do so. Mining Insights has exercised all due care in reviewing the supplied information. Whilst Mining Insights has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant upon the accuracy and completeness of the supplied data. Mining Insights does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of the investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which Mining Insights had no prior knowledge nor had the opportunity to evaluate. Balamara was provided with a technical section of this Report and requested to identify any material errors or omissions prior to its lodgement.

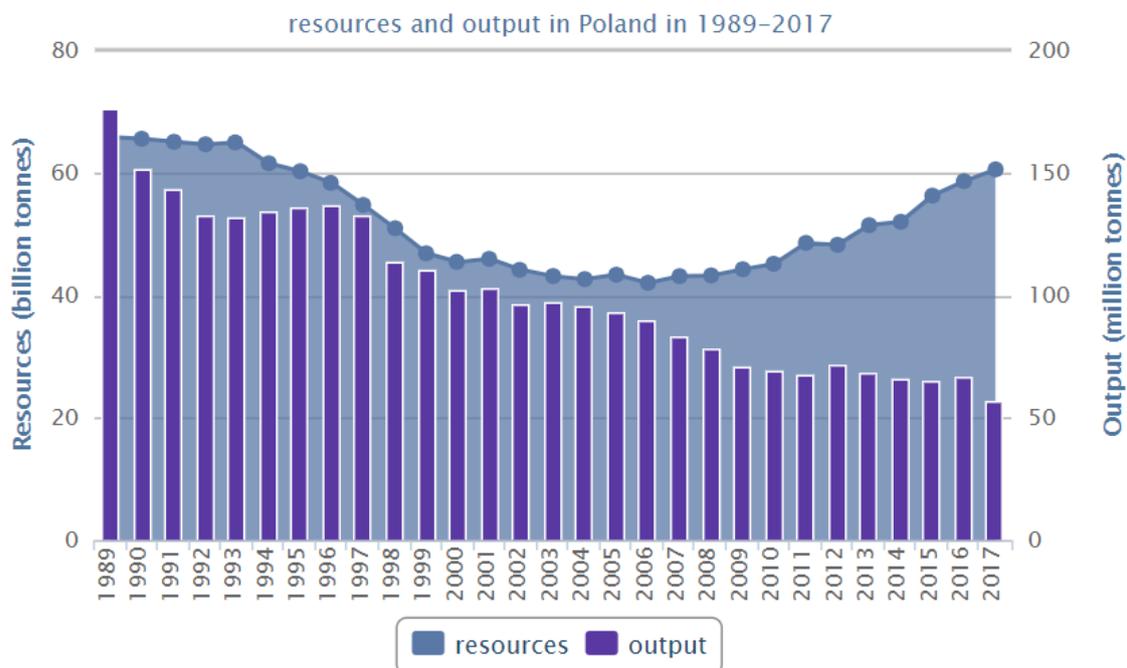
## 2 Poland Coal Overview

Poland is the largest hard coal producer in the European Union and is ranked seventh in the world, producing ~57Mtpa of hard coal annually. The Government of Poland estimates the countries' coal resources of 60Bt, out of which coking coal resource is estimated to be 13Bt. These coals are present within 146 identified coal deposits located mainly in the three coal basins.

Unlike most European Nations, coal and lignite are key strategic fuels for Poland. Currently, the use of these fuels dominates power generation and this trend is expected to continue in the medium term. Historically, Poland was Europe's biggest coal producer with an annual output of more the 200Mtpa. Poland had an established mining industry with 81 operating coal mines and 102 coal preparation plants that were strictly connected with coal mines.

In recent years, Poland has significantly decreased hard coal production from ~100Mtpa in 2000 to ~56Mtpa in 2017 by closing unprofitable coal mines and preparation plants. Within the same period, the demand for black coal in Poland has grown substantially, resulting in a significant increase in coal imports in the country. The recent trend of coal production and resources has been shown in Figure 2:1 below.

**Figure 2:1 Hard Coal, Resource and Production, Poland**



Source: Geo-portal, Government of Poland

Black Coal in Poland is mainly found in three coal basins, Upper Silesia, Lower Silesia and Lublin Coal Basin (Figure 2:2).

Upper Silesia Basin is the main coal production centre in Poland which is followed by Lublin Basin where the Bogdanka coal mine is in operation. The Sawin Project is located in close proximity to the operating Bogdanka Mine.

Several coal mines operating in the Lower Silesia Basin have been closed due to cost economics and at present the production of the area is negligible. Significant coal resources are available in the Lower Silesia Basin but its viability under present market circumstances needs to be ascertained.

**Figure 2:2 Hard Coal Basins in Poland**



Source: Modified after Geoportal, Government of Poland

A brief overview of the hard coal basins present in Poland has been outlined below:

### **Upper Silesian Basin:**

- Covers an area of about 7,400km<sup>2</sup> in southern Poland and in the Ostrava Karvina region in the Czech Republic. Total area in Poland is about 5,800 km<sup>2</sup>;
- Most important coal basin with the largest coal production in Poland, with identified reserves, covering 23% and perspective areas cover 27% of the whole area. Almost 80% of coal deposits lie in this basin;
- The basin comprises a thick sequence of Upper Carboniferous sediments, up to 8,500m. The rocks of that sequence include four lithostratigraphic units - the Paralic Series, Upper Silesian Sandstone Series, Siltstone Series and Cracow Sandstone Series. They represent Namurian and Westphalian ages. The upper

part contains 60 coal seams and the lower part of the sequence contains 250 coal seams. The thickness of the seams can be up to 6-7m. The mining operations in this basin are complicated because of the large-scale faulting and folding caused by the high tectonics. Igneous intrusions of the Permian, Triassic and Miocene age influenced the coal rank. The coal is primarily high volatile bituminous, with low ash and sulphur content;

- The Upper Silesian Coal basin was formed as a foredeep of the Moravo-Silesian fold zone. It is a deep molasses basin of different origin. The layers of Namurian age were deposited in a paralic environment and the upper part from late Namurian to Westphalian D is of continental origin the coal-bearing formations were subjected to erosion and denudation after the Variscan uplift;
- In the southern part of the basin, the coals are overlain by Miocene interbedded clay and sand of marine origin, and in the northern part by Permian-Jurassic layers. In the central part, the Pennsylvanian strata are covered only by Quaternary sediments.

### **Lower Silesian Basin:**

- The Lower Silesian Coal Basin is characterised by a considerable thickness variability and small horizontal and vertical extension of the coal-bearing formations;
- Coalfield is much smaller than the Upper Silesian Coalfield and contains thinner seams. Coal seams cover an area of about 350km<sup>2</sup>;
- The coal basin contains 30 coal beds with a thickness exceeding 1m. Predominantly superior quality coking coal with low ash present in the basin;

### **Lublin Coal Basin:**

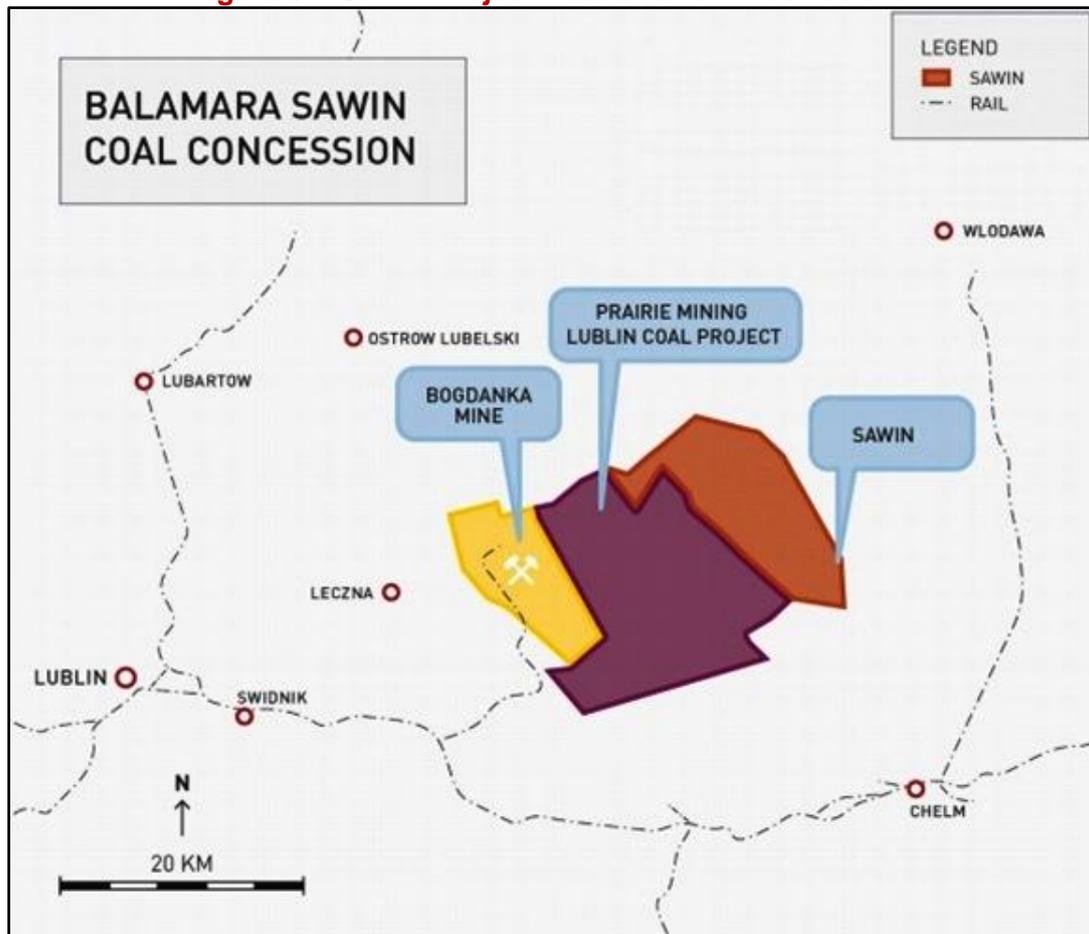
- Lublin basin is an emerging coal basin located in south-eastern Poland, close to the Ukraine border, and it covers an area of about 9,100km<sup>2</sup>;
- At present, this basin is in the early stage of exploration with only one large operating mine;
- This basin is a pericratonic depression within the East-European Platform. The lower part is of marine paralic origin, the middle part is paralic, and the upper part is continental sediments;
- In comparison with the Silesian Coalfields, the seams are moderately structurally disturbed. Lublin has bituminous coals with low ash and sulphur contents with different coking properties. The coal seams are represented by four lithostratigraphic units of Carboniferous age (Terebin, Deblin, Lublin and Magnuszew formations);
- At Present only Bogdanka coal mine is in operation.

## 3 Sawin Project

### 3.1 Location

The Sawin Project is located within the Lublin Coal Basin (LCB) in the eastern part of Poland. The Sawin Project lies immediately adjacent to the concession owned by Prairie Mining Limited, which in turn is adjacent to the Bogdanka thermal coal mine operated by listed Polish mining company Lubelski Wegiel Bogdanka SA. The Sawin Project is situated within the eastern limb of the generally north-west trending Bogdanka Syncline, approximately 22km due east from the currently operating Bogdanka coal mine. The general location plan for Sawin Project is shown in Figure 3:1.

**Figure 3:1 Sawin Project – Lease and Infrastructure**



(Source – Balamara Announcement, May 2016)

### 3.2 Accessibility

The Sawin Project is located close to well established regional rail and port infrastructure. The project area is also connected to European markets by rail, and to the seaborne export market through underutilised ports in the north of Poland.

A south to north railway line railway is currently in operation connecting Chelm to Wlodawa. A rail siding would be required to be developed to connect with the existing rail track near Chelm which would be approximately 20-25km from the project (Figure 3:1).

### 3.3 Ownership and Concession

In Poland, a coal exploration concession is issued following consultation with stakeholders and local authorities. Under the concession terms, fieldwork must commence within 12 months of the concession being granted. The concession and associated usufruct agreements grant the right of surface access to the concession holder by arrangement with the individual landholders.

When applying for the exploration concession, it is required to enter into a 'Mining Usufruct Agreement' with the state. This contract defines the rights and obligation of both parties. These include when the holder may undertake exploration and mining-related activities including for example drilling, trenching, shaft sinking and mining. Balamara Resources has a 100% interest in the Sawin Project. Details pertaining to the Sawin tenement are shown in Table 3:1.

Polish mineral legislation stipulates that the holder of an exploration concession has the exclusive right to apply for a mining permit within five years of the completion of the exploration programme and the submission of the required geological documentation. Conversion of the exploration concession to a mining permit requires the completion of a feasibility study.

The legal firm, Advocate Andrzej Krauze was engaged by the company to provide an independent assessment of the status of its tenements in Poland. Advocate Andrzej Krauze, in its report dated 18 April 2019 has found that:

- 1: All the listed licenses are valid and in force;
- 2: The annual rentals for all the licenses have been paid and are up to date.

**Table 3:1 Sawin Concession Details**

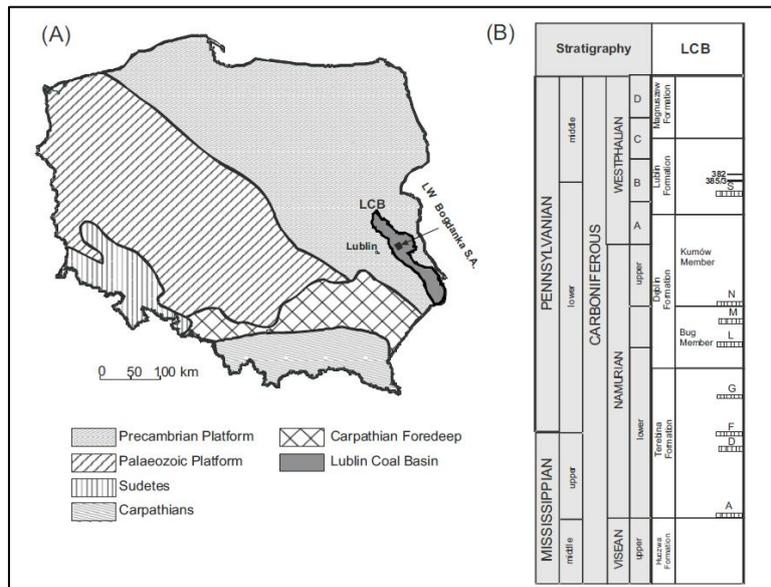
Concession No.	Concession Type	Area (km <sup>2</sup> )	Status	Expiry
8/2017/p	Exploration	137.27	Granted	04 November 2019

### 3.4 Regional Geology

The Lublin Coal Basin (LCB) is a pericratonic depression trending in a north west-south east direction within the Precambrian Platform of eastern Poland (Figure 3:2). The rocks of the LCB are of Carboniferous age and within the vicinity of the LW Bogdanka S.A., Coal Mine occur within the northeast trending Bogdanka Syncline, at depths of between 650 to 1300m below the surface. The main coal-bearing formation within the Carboniferous sequence is the Lublin Formation which is Westphalian A to C in age. In comparison with the Silesian Coalfields, the seams within the Bogdanka Syncline are only moderately structurally disturbed.

Overlying the coal-bearing Carboniferous sequence from youngest to oldest in age are the following major stratigraphic sequences, namely: Quaternary glacially derived sediments, Cretaceous limestones followed by Jurassic limestones which unconformably overlie the Carboniferous formations of the LCB.

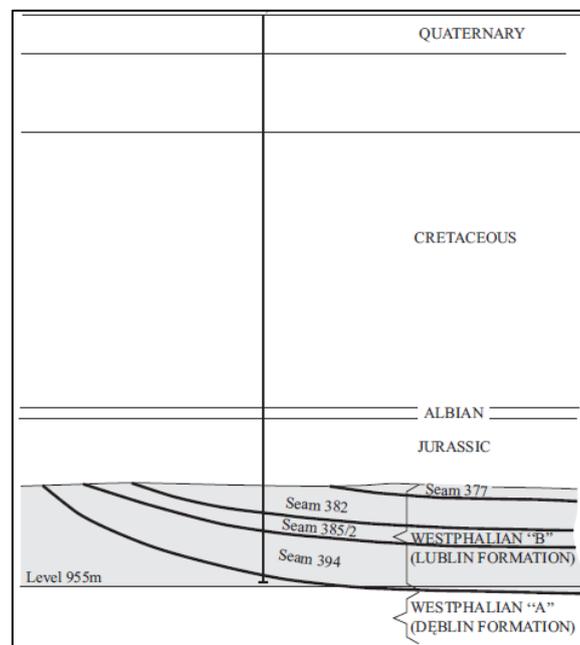
**Figure 3:2 Regional Geology of the LCB within Poland**



### 3.5 Local Geology and Coal Seam Occurrences

The Sawin Coal Deposit is situated within the eastern limb of the generally north-west trending Bogdanka Syncline, approximately 22km due east from the Bogdanka coal mine. In general, the stratigraphic sequence within the Sawin North Concession, from the youngest to oldest is shown in Figure 3:3.

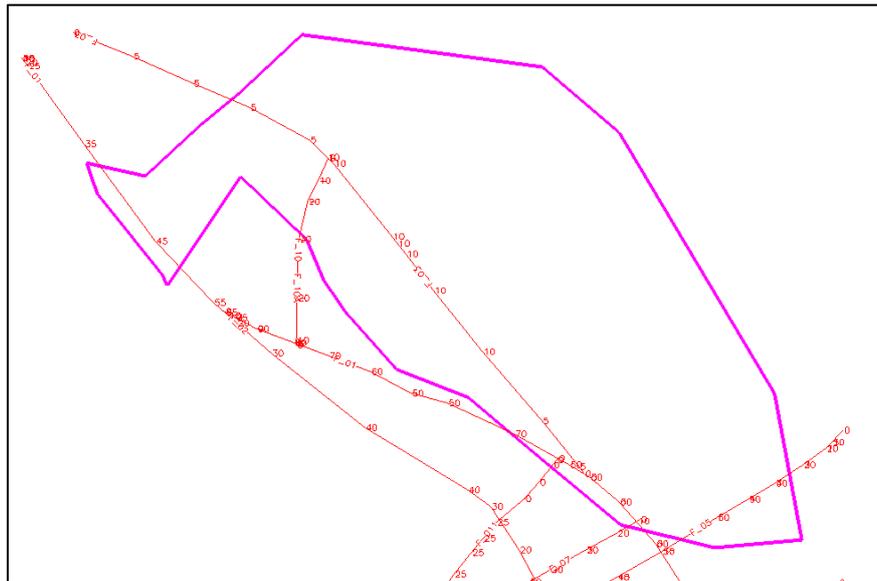
**Figure 3:3 General Stratigraphic Sequence Lublin Coal Basin**



(Source –Philpott, 2002)

Two larger faults are present; one north east – south west trending fault along southern edge of the concession is downthrown by up to 50m to the north and the boundary fault orientated in a north west-south east direction along the western boundary of the concession is downthrown by up to 50m to the east (Figure 3:4).

**Figure 3:4 Major Faults in the Vicinity of the Sawin Deposit**



(Source – Sawin Resource Report, 2015)

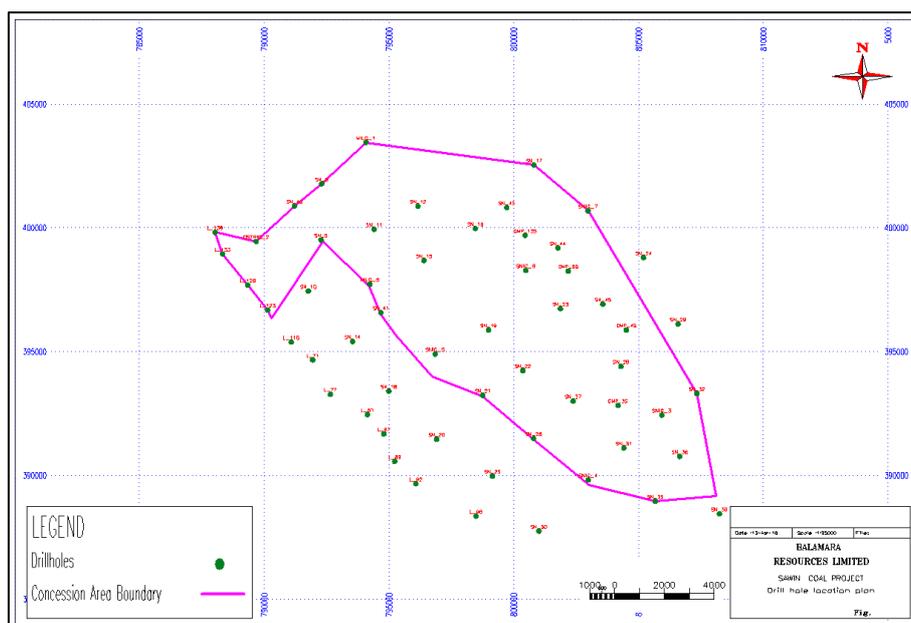
Apart from these faults discussed above, which are relatively sparsely developed within the concession, the coal seams are relatively shallow dipping to the west.

### 3.6 Summary of Exploration Drilling

#### 3.6.1 Historical Drilling

The Sawin deposit was extensively drilled between 1966 and 1982. Polish Geological Institute also constructed a geological model of the deposit based on this drilling. A total of 56 drill holes which varied in depth from 681m to 1350m drilled. The location of these is shown in Figure 3:5.

**Figure 3:5 Sawin - Historical Drill Holes Location**



(Source – Sawin Resource Report, 2015)

### 3.6.2 Recent Drilling

As a condition of obtaining the Sawin concession, Balamara has committed to drill a nine-hole programme estimated at a total of 6,885 metres. In the last quarter of 2015, Balamara embarked on an in-fill drilling programme at Sawin that was designed to provide adequate spacing to increase the confidence level of Coal Resource, as well as providing further information on coal quality, coal seam locations (and thickness) and geotechnical and hydrology data.

3 of the holes were designed as hydrogeological holes in order to provide important information regarding the various aquifers in the area. Holes are being drilled by a variety of open hole drilling methods down just above the contact between the Carboniferous sequence which hosts the coal sequence and the overlying Jurassic sequence. This depth is usually around 500 metres and the remainder of the hole containing the all-important coal seams is completed by PQ core.

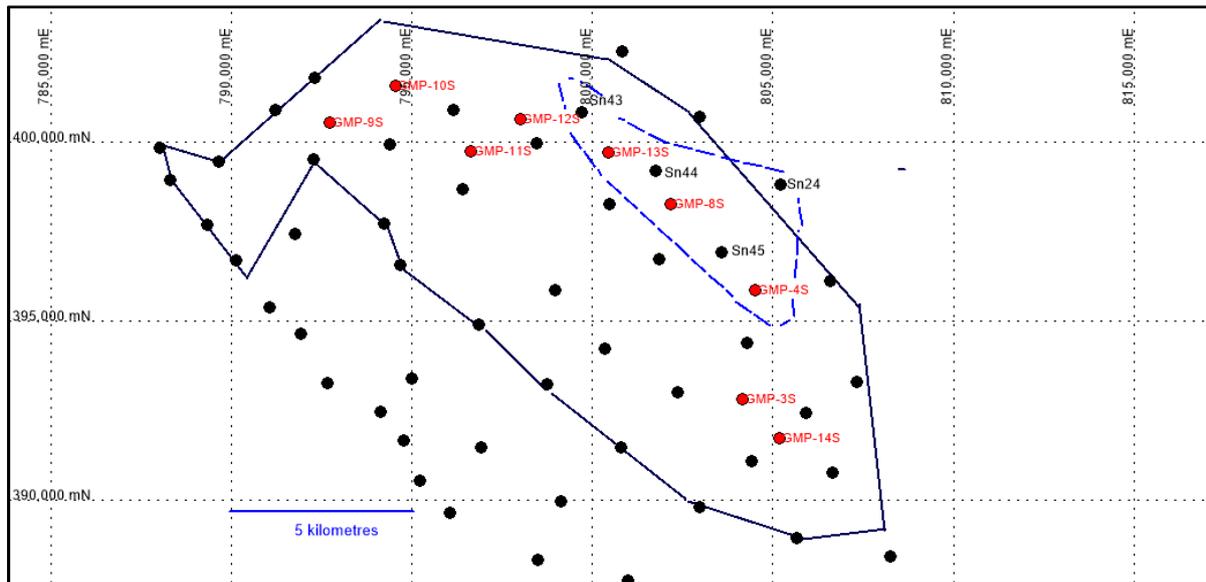
Coal parameter testing took place on all coal seams greater than 0.60m in thickness and included separate testing of partings. Whole cores were delivered to Główny Instytut Górnictwa (GIG) in Katowice, one of the most highly regarded technical laboratories in Poland. Standard tests including, but not limited to:

- Moisture content;
- Volatile content;
- ash content;
- calorific value;
- coal type;
- Sulphur content.
- FSI (Free Swell Index)

Balamara announced that it has now completed the nine (9) hole in-fill program in 2018 (Annual Report, June 2018).

Drilling results outlining a substantial zone of +2m thick coal in seam S391, which is considerably thicker and more consistent than previously identified. This area is located on the eastern side of the exploration concession up against its eastern boundary. It is somewhat linear and has approximate dimensions of 8 km by 2 km (Figure 3:6).

**Figure 3:6 Coal seam thickness (Seam S391)**  
 Note: zone of +2m thickness inside the blue dotted line



(Source – Balamara Announcement, May 2016)

### 3.7 Coal Resources

The Maiden JORC Coal Resource estimate was prepared and reported by Mr Craig Williams of HDR in 2015 based on historical drilling. HDR mentioned that they independently validated all the seam picks from the scans of original graphic logs of the holes drilled in the concession boundary and immediately surrounding. HDR also validated collar and lithological/seam pick data provided, against the scanned graphic logs and made corrections where required.

Further verification of coal quality data was performed by means of scatter plots of the sample data prior to import into the Minescape software. A few outlier values were removed. Once imported into Minescape, samples were composited against seam intervals. Histograms of seam composites were constructed to check for further outliers. No outliers were found however a few high ash composites were verified against the original data and found to be a true reflection of the input data.

Statistical analysis shows that a bias towards higher ash in the sample occurs at core recoveries below 70%. Consequently, a minimum core recovery of 70% has been used for the inclusion of samples in the estimate and for the determination of points of observation for resource classification purposes.

Craig Williams, an Independent Geologist and Competent Person for the Coal Resource visited the site during November 2014. As part of the site visit, a visit was made to the offices off the Polish Geological Institute in Sosnowiec, where approximately 10% of the original hard copy drill hole logs, archived at the Polish Geological Institute, were inspected.

HDR has sub-divided Coal Resources within the Sawin Concession into resource classification categories based on the following spacings (expressed as a radius of

influence around points of observation which is half of the spacing between points of observation):

- The measured radius of influence of 500 m;
- An indicated radius of influence of 875 m; and
- An inferred radius of influence of 2000 m.

In addition to these classification distances, thickness and coal quality cut-off criteria applied to the resource are a minimum seam thickness of 60 cm and maximum raw ash of 30%. The Coal Resources that have been estimated, classified and reported according to the JORC Code (2012) are detailed in Table 3:2.

**Table 3:2 Coal Resource Estimate for Sawin (as at 4 March 2015)**

Resource Classification	Mass (Mt)	Ash (adb) %	Moisture (adb) %	GCV (adb) kcal/kg	Volatile Matter (adb) %	Relative Density (adb) %	Total Sulphur (adb) %
Inferred	1,200	10.0	3.5	6,900	33.0	1.3	1.7
<b>Total</b>	<b>1,200</b>						

*Note: the estimate incorporates a minimum seam thickness of 0.6 m and a depth limit of no less than 80 m below the topographic surface.*

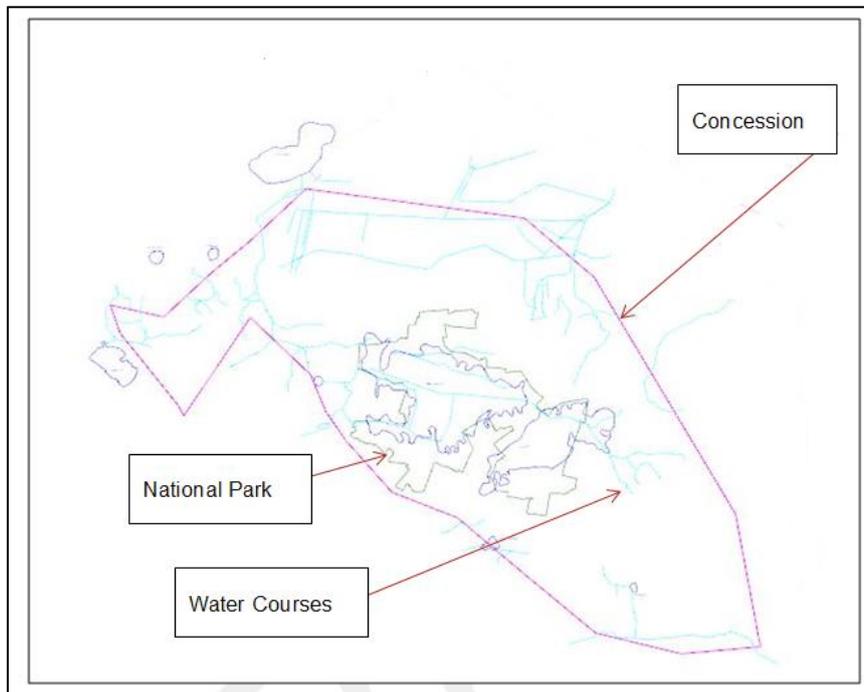
### 3.8 Exploitation Environmental Constraints – National Park

The topography over the concession is generally flat dominated by grasslands with a low-lying swampy area in the central part of the concession.

In the southern portion of the concession is a National Park. This park has effectively sterilised a large area of the concession with the prohibition of development and extraction within the area of the park.

There are a number of water-courses that run across the lease and which are linked to the wetlands in the National Park. While it is understood that the effects of mining on the Nature 2000 reserves are negotiable with the regulating authorities, the effect of subsidence on these waterways and the on-going effect on the swamplands in the National Park will need to be fully understood to ensure no unexpected impact will occur and that any undesirable effect can be mitigated.

**Figure 3:7 Sawin Concession with Surface Water and National Parks**



(Source – Sawin Mining Assessment, 2016)

Four water-bearing aquifers have been identified in the overlying sedimentary sequence. These are the Quarternary and Upper Cretaceous at a depth of 150 – 200 metres, the Lower Cretaceous aquifer, The Jurrasic Aquifer, and Carboniferous aquifers. Of these, the most concerning is the Lower Cretaceous and the Jurrasic Aquifers.

Balamara held further discussions with the Dept. of Natural Resources and identified restriction of exploitation in the national parks area. Preliminary mine planning indicates that the presence of natural park is sterilising and restricting exploitation on approximately 50% of the Coal Resource.

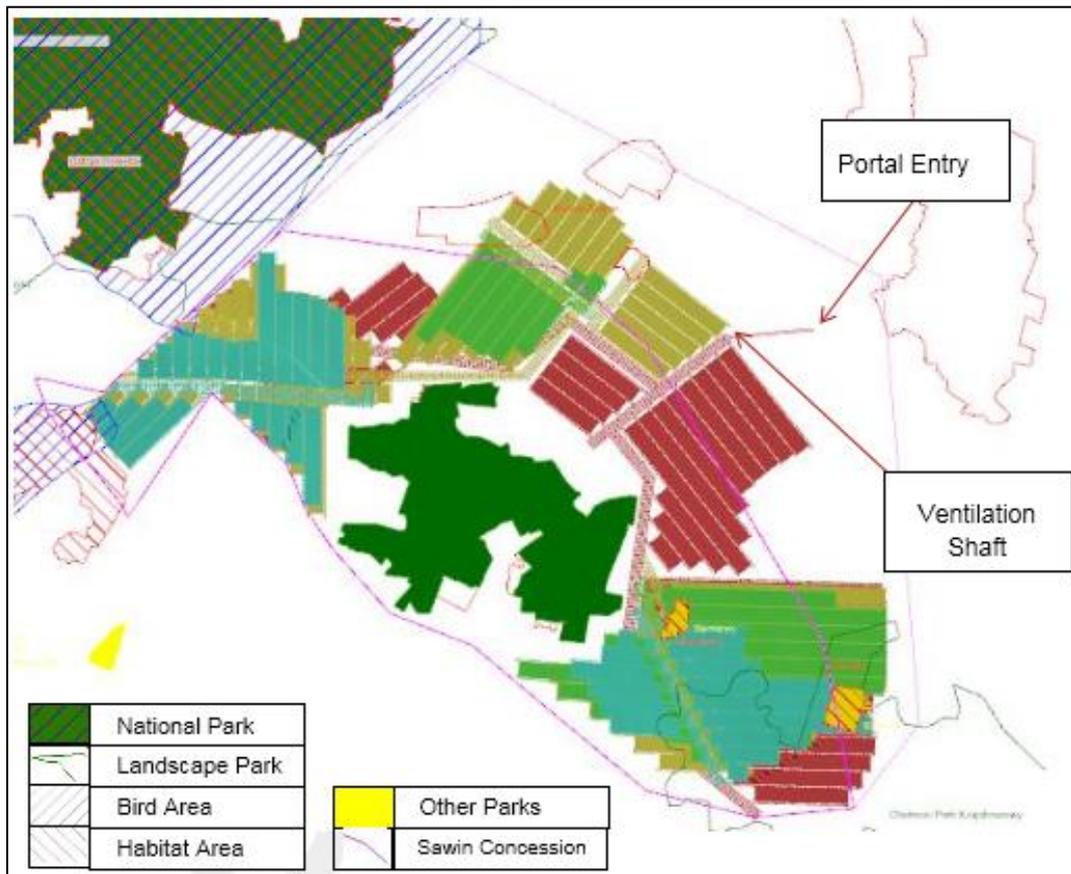
### **3.9 Conceptual Mining Method**

Balamara Resources is developing a conceptual plan based on the longwall mining method. It plans to use both shearer or plough longwall systems – depending on seam thickness and minimum mining height. Inseam preparation includes cross-sections of a roadway, utilizing continuous miners with the application of roof and sidewall bolting.

A conceptual mine plan for the Sawin Project was developed with consideration of the concession boundary, potential for the concession extension to the east, the impact of the National Park located within the concession, seam thickness and access location, major faulting, and neighbouring concessions.

This conceptual mine plan was based on the longwall method of mining. Shearer Longwall is being investigated to exploit the thicker coal (2 meters) revealed in the latest exploration drilling. This thick zone has been revealed in the S391 Seam near the centre of the concession east of the National Park. Figure 3:8 illustrates the conceptual mine plan including mining in the surrounding area.

**Figure 3:8 Conceptual Mine Plan**



(Source – Sawin Mining Assessment, 2016)

### 3.10 End Users - Power Plants

Most of the potential customers for the proposed Sawin Project is accessible by the rail network. There are 10 coal-fired power plants (9 operational and 1 proposed, Table 3:3) located within a 250km radius of the Sawin Project.

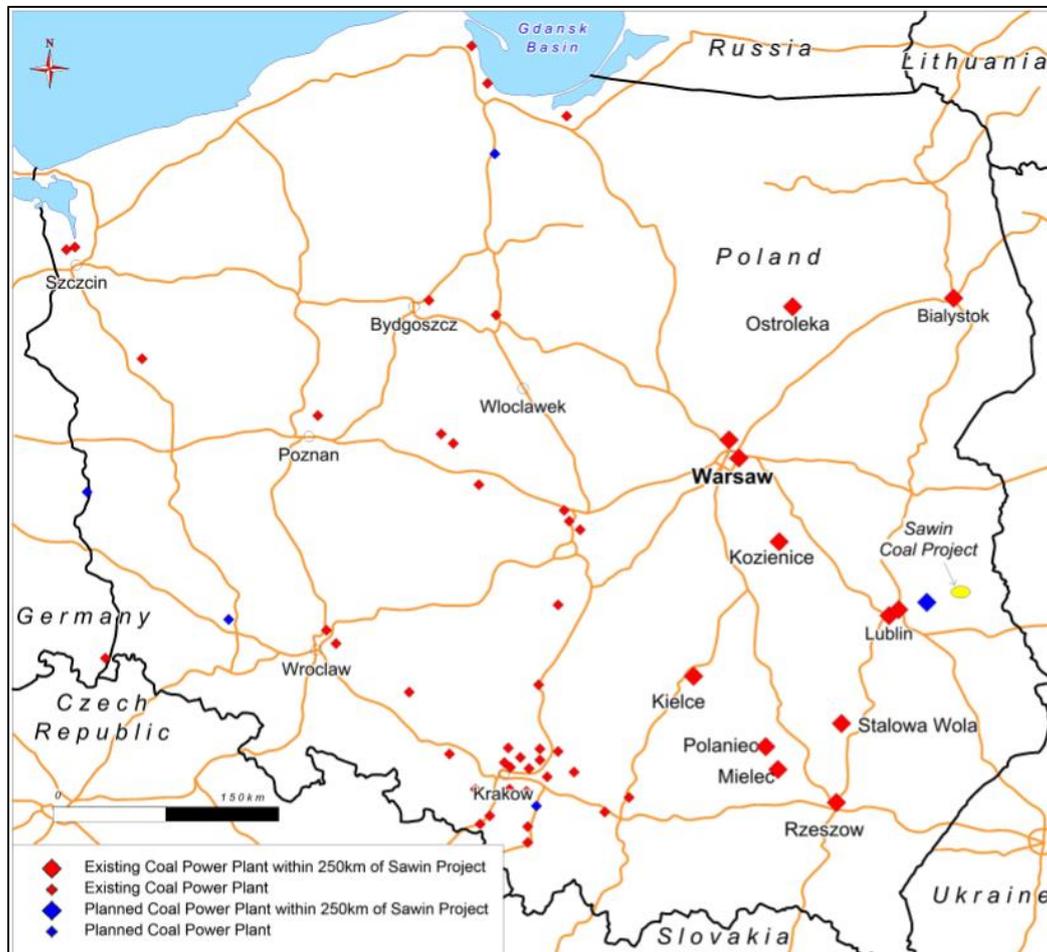
**Table 3:3 Power Plants within 250 km of the Sawin Project**

Name	Distance from Sawin (km)	Installed Capacity (MW)	Under construction (MW)	Estimated Coal Consumption (Mt)
Lublin Wrokw Power Station	60	231		0.5
Lublin Megatem Power Plant	60	NA		0.5
Proposed Leczna Power Plant	30		500	1.0
Stalowa Wola Power Station	130	350		0.7
Zeran Power Station		350		0.7
Siekierki Power Station	190	622		1.3
Kozienice Power Station	120	2,820		5.2
Polaniec Power Station	180	1,800		3.5
Rzeszow Power Station		101		0.2
Ostroleka Power Plant	240	647		1.3
<b>Total Capacity</b>		<b>6,932MW</b>	<b>500MW</b>	<b>14.9Mt</b>

(Source – Sawin Mining Assessment, 2016)

These power plants purchase the bulk of the coal produced in the region from existing coal mines in the Upper Silesian and Lublin region. There are two operational power plants located within a 50 km radius of the Sawin Project (Figure 3:9). The proposed Leczna power station with a design capacity of 500MW will be closest to Sawin Project.

**Figure 3:9 Location of Power Plants**



(Source – Sawin Mining Assessment, 2016)

### 3.11 Mining Insights Review

Mining Insights has reviewed the Sawin Resource Report at a high level. Whilst Mining Insights agrees with the broad principles and methods involved in the resource estimation, Mining Insights has not independently reviewed the Resource model in detail or verified the updated tonnes and grades.

Mining Insights considers that the Sawin Mineral Resources have been appropriately estimated and that good practice has been followed. The Mineral Resource estimate is considered reasonable.

Further, Mining Insights notes that approximately 50% of the tenement (and hence Coal Resource underneath it) is covered by a National Park. This park has effectively sterilised a large area of the concession with the prohibition of development and extraction within the area of the park.

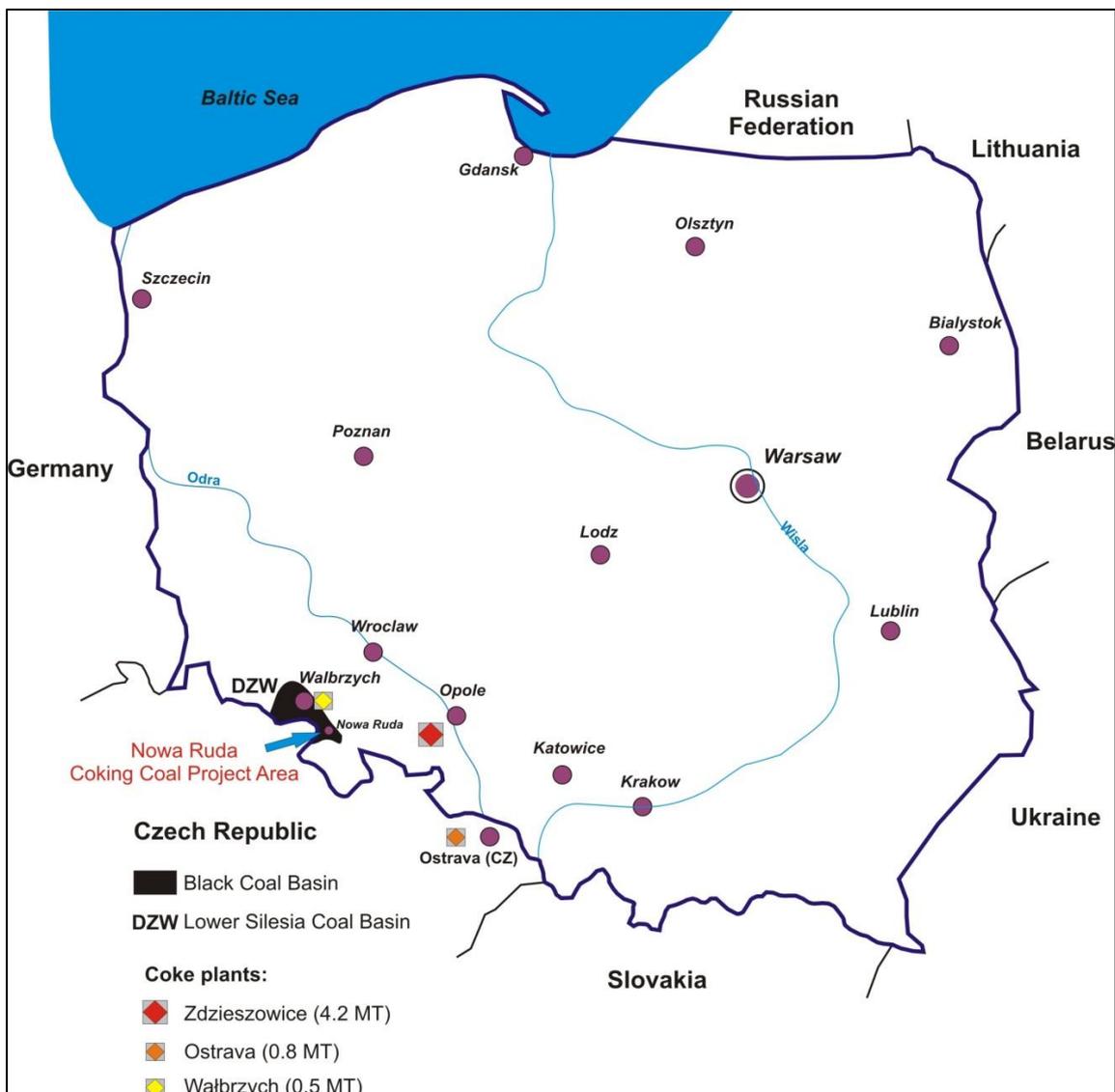
## 4 Nowa Ruda Project

### 4.1 Location

The Nowa Ruda Project lies between the Sowie Mountains and the Włodzickie Hills in the Central Sudeten range and close to the Czech Republic border. The project comprises of a single lease area covering two large, adjacent underground coal deposits – known as the Waclaw and Piast deposits (Figure 4:1 & Figure 4:2). These deposits are in the Klodzko District in the South West of Poland. The coal deposit is predominantly coking coal in nature along with some anthracite coal & high-grade thermal coal.

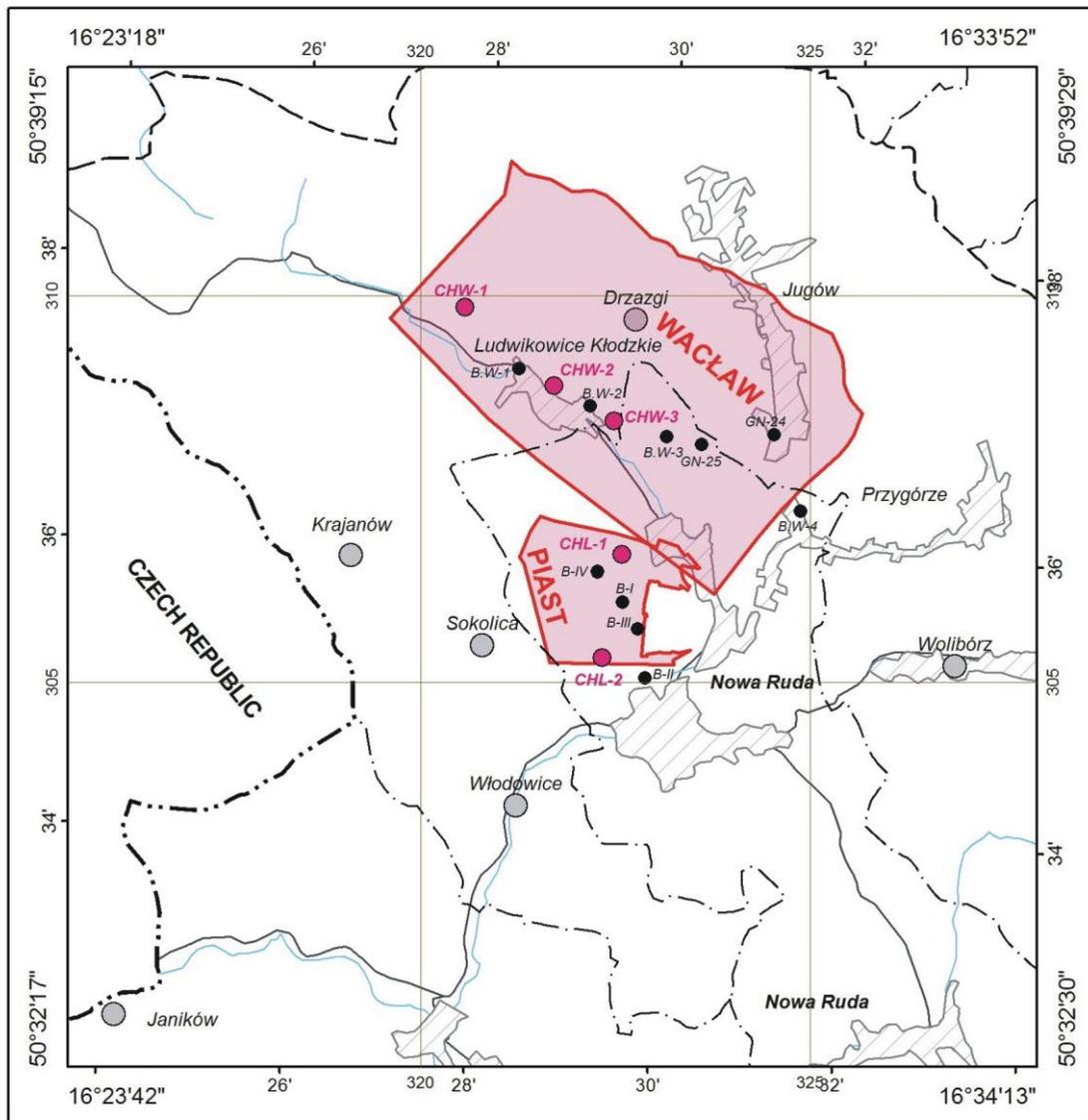
The Project is in Lower Silesian Coal Basin and covers a surface land area of approximately 20km<sup>2</sup> in close proximity to the extension key infrastructure including roads, rail, power, and water.

**Figure 4:1 Nowa Ruda Project, location**



Source: Balamara Resources. ASX announcement 2015

**Figure 4:2 Nowa Ruda Lease Boundary**



- lease area border
- WACLAW-PIAST** area name
- B.W-1** archival drill hole
- CHL-1** projected drill hole
- community border
- district border
- country border

Source: Balamara Resources

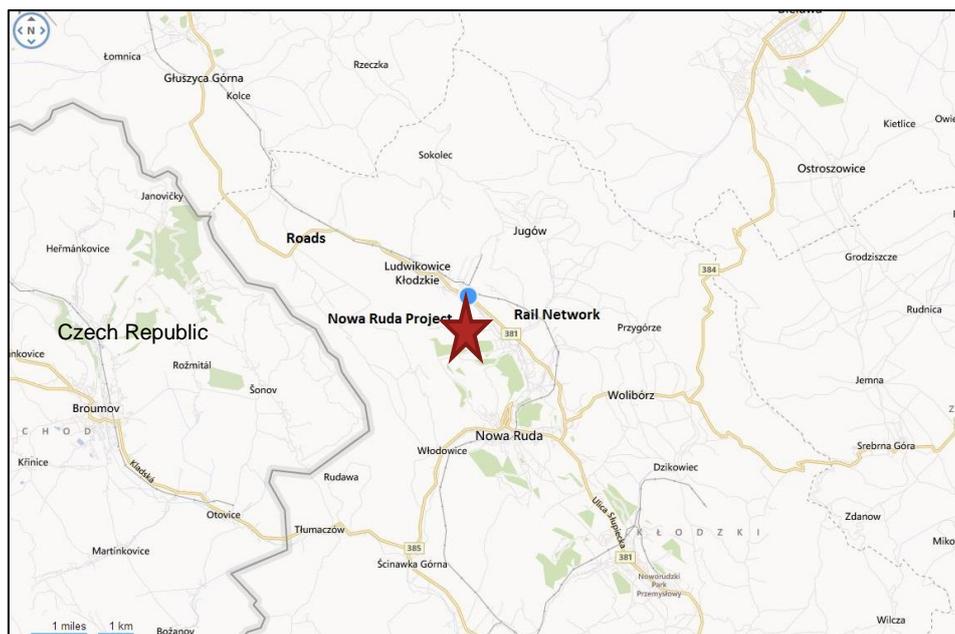
Nowa Ruda was a substantial producing underground coal mine for a large part of the last century, before being placed on care and maintenance at the end of 1995 due to lower coking coal prices along with excessive and inefficient cost structures attached to the overall project; the Communist Government established these structures almost 50 years ago.

## 4.2 Accessibility

The project area is readily accessible by a series of road networks which connects it to different regions of Poland (Figure 4:3).

There is an existing rail line located close to the old mine gate which connects the Project area to various local coke manufacturing plants. Currently, there are 3 operational coke plants located within 100km of the project, all of which are accessible by rail. One of the largest coke oven plants of Poland, the Walbrzych plant, is located only 40 km away and linked by rail from the mine site.

**Figure 4:3 Nowa Ruda Project Accessibility**



The southern boundary of the Project area is almost 5 km from the Czech Republic, which provides another opportunity to dispatch and sell coal.

## 4.3 Ownership and Concession

Balamara owns the rights to explore and develop the Nowa Ruda Coal Project, through its 100% owned Polish subsidiary company, Coal Holding Sp.z.o.o. Balamara has obtained these rights from the Government of Poland in 2013. Following the successful completion of the feasibility study, Balamara can convert this current licence into Mining Licence. The Project consists of a single lease as detailed in Table 4:1.

**Table 4:1 Nowa Ruda Project Concession**

Project	Tenement Number	Area (km <sup>2</sup> )	Status	Expiry
Nowa Ruda	8/2013/p	20	Granted	17 December 2019

According to Advocate Andrzej Krauze in its legal tenement status report, Coal Holding Sp.z.o.o. has the right to demand by 17<sup>th</sup> December 2019 that the mining tenement be established for the benefit of Coal Holding Sp.z.o.o. with priority over others.

## 4.4 Regional Geology

The Lower Silesian Basin makes up part of the Intra Sudetic Synclinorium. It is one of the largest geological structures of the Sudetes and it forms the easternmost part of the intermontane basin system of the Bohemian Massif. The Upper Carboniferous coal-bearing strata consist of a continental molasses sequence deposited in a crustal destruction basin in the interior zone of the Variscan orogenic belt.

The Lower Silesian Coal Basin is situated in the border part of the inner Sudeten trough. It forms a deep Carboniferous syncline, plunging eastward. The north-eastern part of this syncline which is outcropped is known as Walbrzych region and the south-eastern part of the syncline is known as the Nowa Ruda region. The following stratigraphic series present in the formation of Syncline:

- Carboniferous;
- Permian and
- Quaternary.

The Upper Carboniferous formation is represented by a series of complex of sandstones and conglomerates with thinner layer clay-stones and mudstones which occurs with the coal seams. Coal seams present in this formation is mainly divided into two series, Walbrzyskie beds (Namurien A), occurring at the bottom and the Zaclerskie beds (West-Phalien A and B) which occurs at the top.

The roof parts of Carboniferous forms Glinickie beds (West Phalian C and D) and Ludwikowickie beds (Stephanien) are mainly composed of conglomerates, sandstones, mudstones and clay-stones. The carboniferous deposits are intruded by numerous Porphyries veins and intersected with faults of significant vertical displacement. Majority of these faults are parallel to the border of the Carboniferous syncline.

The Lower Carboniferous shaley deposits and the metamorphosed rocks of older bed rocks forms the base of Upper Carboniferous strata. The overburden of Carboniferous deposits is formed with Permian conglomerates, sandstones, and red-brown shales (Rotlie-gendes). The Permian deposits are overlaid by Quaternary sands, gravels, and clays, which occur mainly in the river valleys and surface depressions.

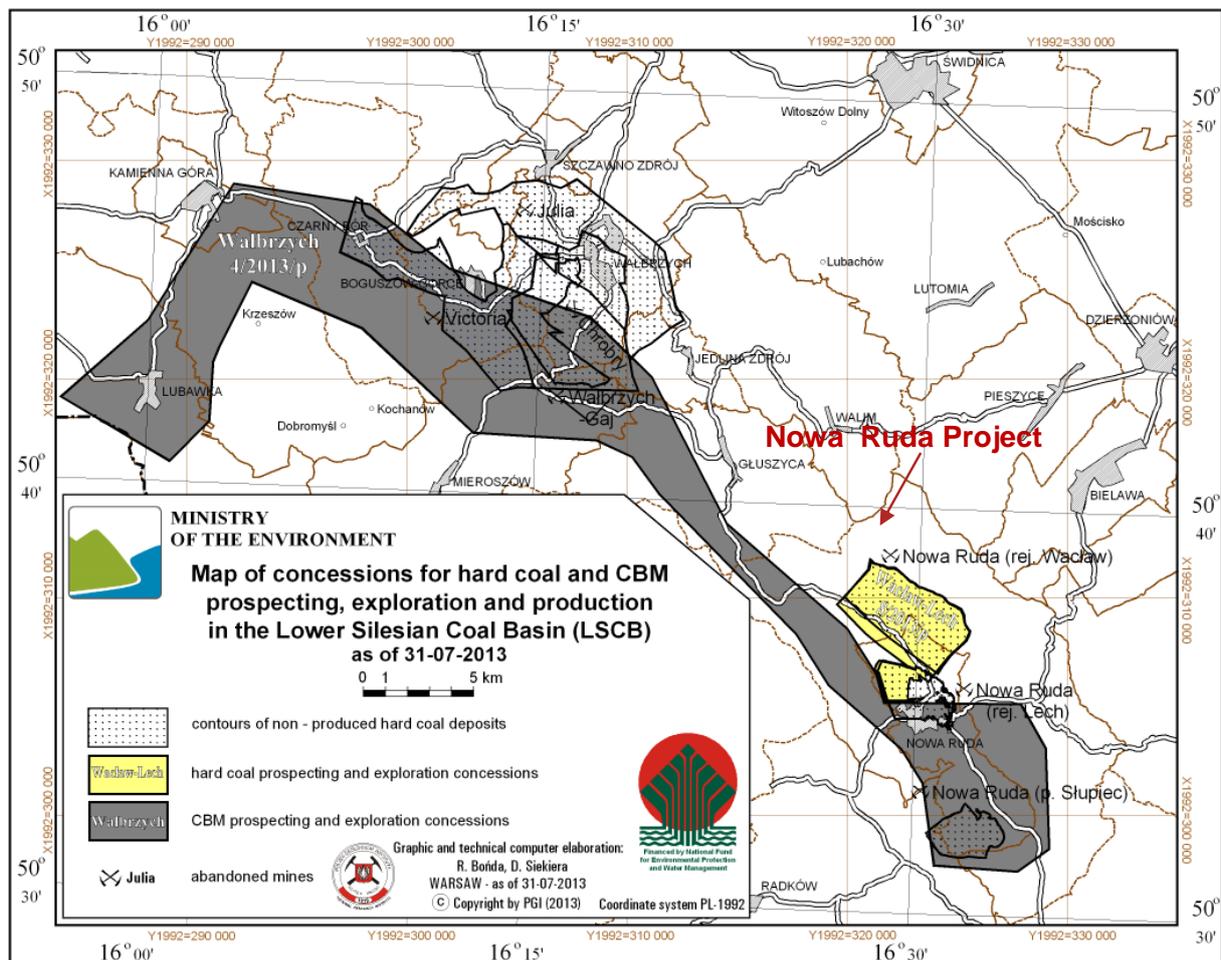
Two asymmetric synclines are present in the Walbrzych region, Sobiaciliska in the east and the Gericke in the west. These two synclines are dividing by a diaper anticline of Chelmiec, which is formed because of the porphyry intrusion, which is penetrated within the carboniferous layers. These tectonic complexities resulted in the variable dip of the coal seam which varies from almost flat to the very steep.

In the Nowa Ruda region the Carboniferous outcrops forms: two parallel synclinal zones. These zones are separated along the regionally significant fault, responsible for approximately 1000m vertical displacement, which is situated parallel to the border of the chief Carboniferous syncline. In the Carboniferous deposits of both regions sandstones and conglomerates prevail over claystones and mudstones.

Formations of Carboniferous age include 34 different coal seams which were worked in the past. These seams vary in thickness from 0.6 to 3m. Coal rank ranges from sub-bituminous to anthracite; only bituminous and anthracite coal had been mined historically on average, Lower Silesian Basin coals contain 0.1-0.9% Sulphur, 7.1-8.5% ash, 9.5-10.4% moisture, and 17-29% volatile matter. Heating value averages from 27.2 to 31.7MJ/kg

In recent times, the Government of Poland has identified Lower Silesian Basin as a key area for future exploitation of Coal Bed Methane and coking coal. The area where historical coal resources remain has been allocated to Balamara for the exploitation of the coking coal (Figure 4:4). The remainder of the area has been identified as a potential region for Coal Bed Methane (“CBM”).

**Figure 4:4 Hard Coal and CBM Concession Area Lower Silesian Basin**



Source: Nowa Ruda Coal Resource Report

## 4.5 Local Geology

The Nowa Ruda coal project consists of two adjacent coal deposits, Waclaw to the north and Piast to the south. Waclaw deposit covers a larger area (approximately 14.5 km<sup>2</sup>) spreading from central to the northeastern section of the lease area while Piast deposit is the smaller and located in the southern portion of the lease area.

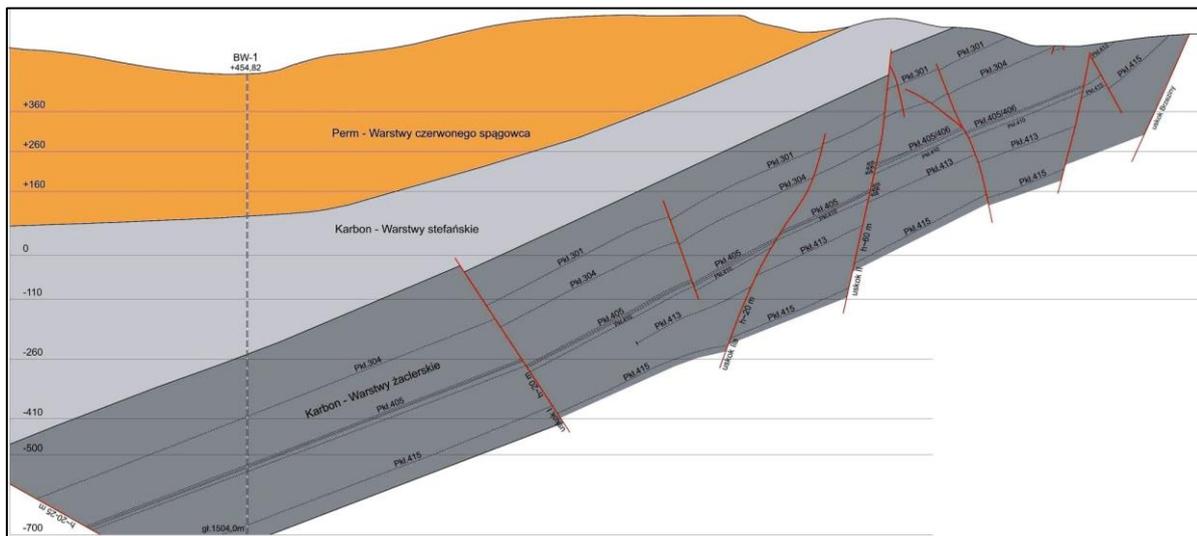
The two deposits are separated by a fault but are located adjacent to each other. A 200-300m zone separates the southernmost blocks of Waclaw from the northernmost portion of the Piast deposit.

Stratigraphy of these deposits is well documented and individual coal seams can be correlated across the deposits. These are also recognised more generally within the Lower Silesian Coal Basin.

#### 4.5.1 Waclaw Area

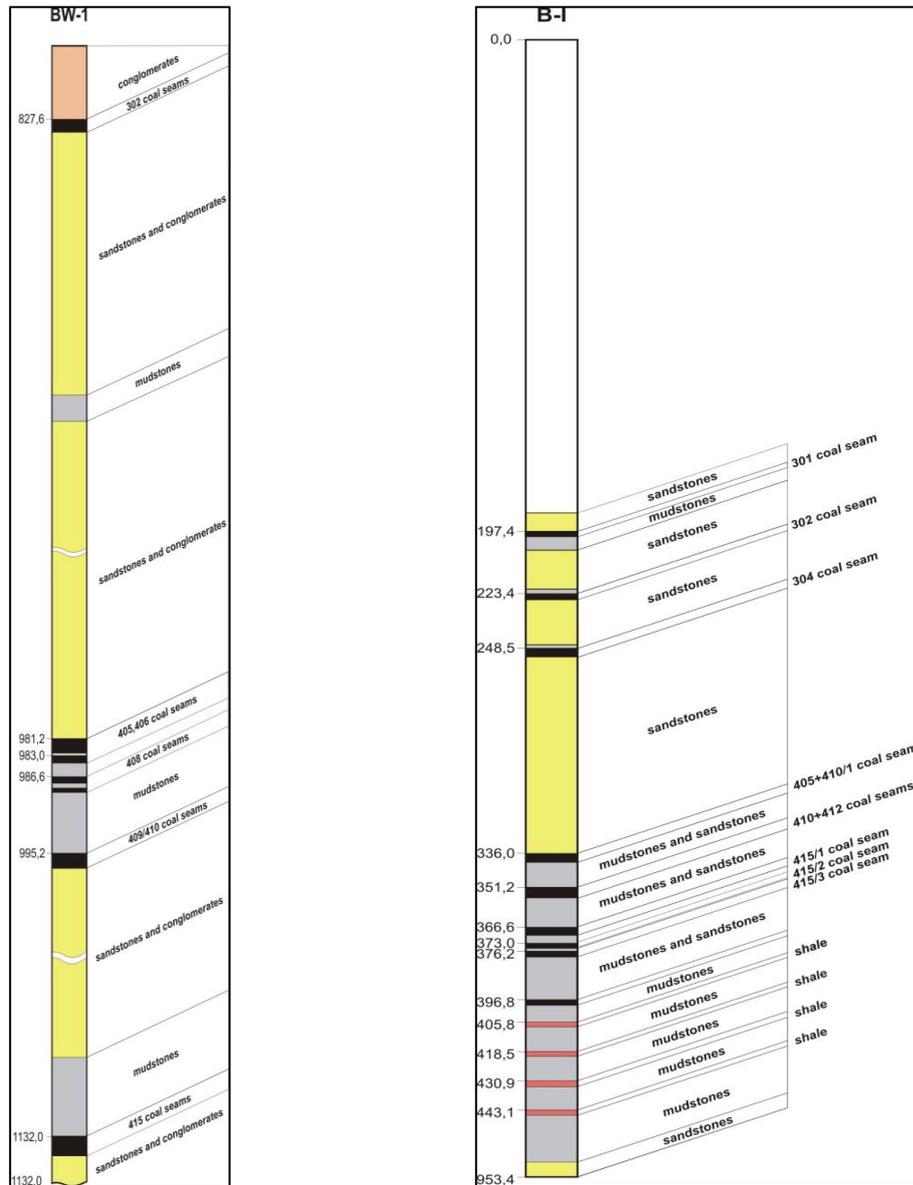
Waclaw is an established coal deposit with significant mining history. The remaining coal inventories occur in eight (8) different coal seams of thickness greater than 1m. The maximum thickness reaches up to 2.75m. Layers of sandstone, mudstone and conglomerates separate these coal seams. These coal seams occur at a depth of less than 1000 meters. Parts of these coal seams are amenable to be exploited by underground mining method.

**Figure 4:5 Geological Cross Section Waclaw Seam**



Source: Balamara Resources

**Figure 4:6 Geological Profile of Waclaw (L) and Piast (R)**



Source: Balamara Resources

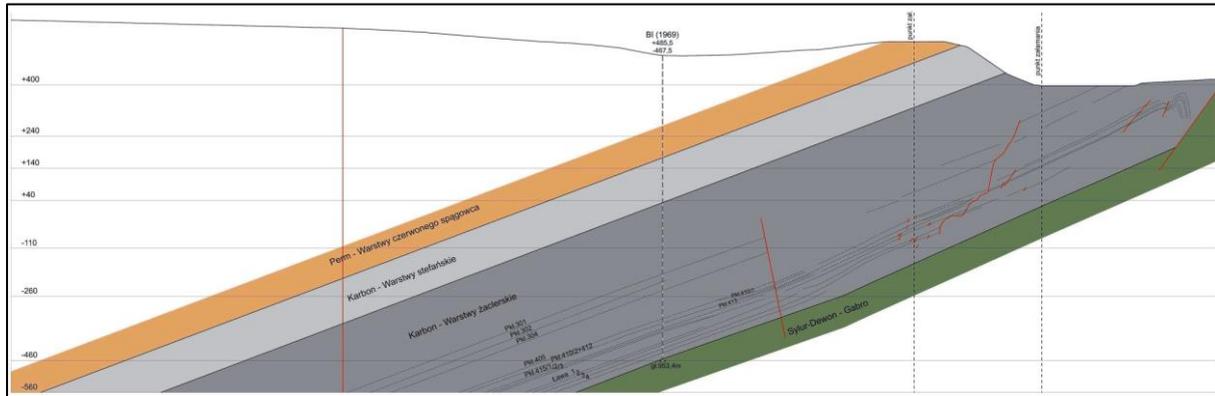
As evident in the above Geological Cross section (Figure 4:5) and borehole profile (Figure 4:6), the borehole BW-1 intersects the coal seam PK405 occurs at the depth of around 524m. The geological cross section shows that the area is intruded by several dykes and at least 3 faults can be recognised. These geological intrusions and faults may present challenges in mining extraction of the coal.

#### 4.5.2 Piast Area

Along with Waclow, Piast is also an established deposit with significant mining history. The remaining coal Inventories occur in 10 different coal seams of thickness greater than 1m. The maximum thickness reaches up to 7.05m. Layers of sandstone, mudstone and conglomerates separate these coal seams. These coal seams dip from east to west at an average angle of 23° and reported to extend up to a depth of 1200m (Figure 4:7).

The average GCV of the coal found in the region is 6500 kcal/kg which ash and sulphur content stands at 17% and 0.7% respectively. As evident in the above borehole profile (Figure 4:6), the first intersection of the coal seam is at 200 m (301 coal seam) and borehole #1 has intersected coal seam up to 953m. Although there are some intrusions present in the area, it is lesser than Waclaw.

**Figure 4:7 Geological Cross Section Paist Seam**



Source: Balamara Resources

## 4.6 Exploration and Drilling

### 4.6.1 Historical Drilling

The first records of coal exploitation at Nowa Ruda took place in 1800. In 1879 refractory shales were discovered in the Lech and extracted until 1979 for brick manufacture. This also led to increased coal mining. Underground coal mining developed and reached its peak in the 20th Century (Polish Ministry of Mining 1979).

Historical drilling involved 6 surface holes drilled in Waclaw from 1964 to 1985. 5 surface drill holes were drilled in Lech during 1968-1981. A total of 1243 underground holes have been drilled from 1961-1994.

### 4.6.2 Drilling by Balamara

Balamara completed a seven-hole (6,920m) drilling programme was completed between 2013 and 2015. This programme comprised a total of three holes at the Waclaw deposit and four holes at the Lech deposit.

Drilling was conducted by roller cone bits at gradually decreasing diameters. Diamond core drilling was undertaken by PQ3 methods. The recent drilling involved collection of core samples as per the standard Polish procedures. The recovered core was also compared to the coal interval thickness and depths determined from the geophysical logs. Core recoveries in the coal seams and the interbed were generally of the order of +95%.

Core after sampling is stored and assayed at GIG laboratories. Testing took place on all coal seams greater than 0.6 m in thickness and included partings up to 5cm in thickness. Standard testing included:

- Ash Content;

- Calorific Value;
- Moisture;
- Coal Type;
- Sulphur Content;
- Coking parameters;
- Volatile matter content; and
- Density

A total of 55 coal quality samples were taken from seams across the area. Coal washability test work was undertaken using a range of heavy media. The products washability tests were used to determine specific coking coal parameters including:

- Swelling Index;
- Roga Index; and
- Geissler plasticity.

Vacuum degassing tests were conducted on all seams greater than 0.3m in thickness to test for methane and CO<sub>2</sub> content. A range of geotechnical tests was also conducted on the floor and roof of the host rocks to the coal seams.

#### **4.7 Coal Resources**

The Maiden JORC Coal Resource estimate was prepared and reported by Mr Craig Williams of HDR in 2015 largely based on seven-hole (6,920m) drilling programme completed between 2013 and 2015.

Results from the variography and population statistics for the 304-seam raw ash% were used to perform a Drill Hole Spacing Analysis (DHSA) study. Based on this DHSA study, HDR has sub-divided Coal Resources within the Nowa Ruda deposit into resource classification categories based on the following spacing's (expressed as a radius of influence around points of observation which is half of the spacing between points of observation):

- Measured resource radius of influence of 200m;
- Indicated resource radius of influence of 350m; and
- Inferred resource radius of influence of 700m.

In addition to the geostatistical study described above, several other factors were considered when assessing confidence in the estimate and classifying the Coal Resource in accordance with the JORC Code (2012). A qualitative review of modelled seam floor elevation and thickness contours, statistical analysis of thickness and coal quality attributes, domaining and general geological setting all show that the seams within the Nowa Ruda deposit appear to display a moderate degree of continuity.

Coal quality, gas content and the presence of unknown structure are considered to be the major resource risks. HDR acknowledged that the risk of small-scale faulting not detected by drilling is not considered to impact on overall resource tonnage but it may impact (slow down) mining. It is therefore considered to be more of a mining risk which needs to be mitigated through appropriate grade control practice during mining (i.e. underground in-

seam drilling). It is assumed that coal seams will be able to be degassed prior to mining to mitigate against this risk.

Coal washability test work was highly successful in reducing the ash content of the raw coal. Total product ash contents of around 6-8% at around an F1.55 cut point density can be obtained with coal yields of the order of 60-70%. Based on the coal parameter test work conducted to date, the product coals can be generally divided nominally into two groups:

- Lower rank coal (i.e. volatile matter greater than or equal to 20 % (daf)) which includes seam 304 and 420.
- Higher rank coal (i.e. volatile matter less than to 20 % (daf)) which is seen in the deepest seams.

Total Coal Resources of 86.5 Mt was estimated, details of which are summarized in Table 4:2. Coal Resources at Nowa Ruda have been reported in accordance with the JORC Code, 2012.

**Table 4:2 Nowa Ruda – Coking Coal Resource Estimate as at 1 June 2015**  
(tonnes and quality calculated on an air-dried basis)

Resource Classification	Mass (Mt)	Thickness (m)	Yield Theoretical F1.55 (adb) %	Relative Density (adb)
Measured	10.5	1.9	72	1.58
Indicated	20	1.4	67	1.57
Inferred	56	1.4	66	1.58
<b>TOTAL</b>	<b>86.5</b>			

*Note: the estimate incorporates a minimum seam thickness of 0.6 m and a float 1.55 theoretical yield >35%*

*Source: Balamara Resources Announcement, 9 June 2015*

## 4.8 Mining Method

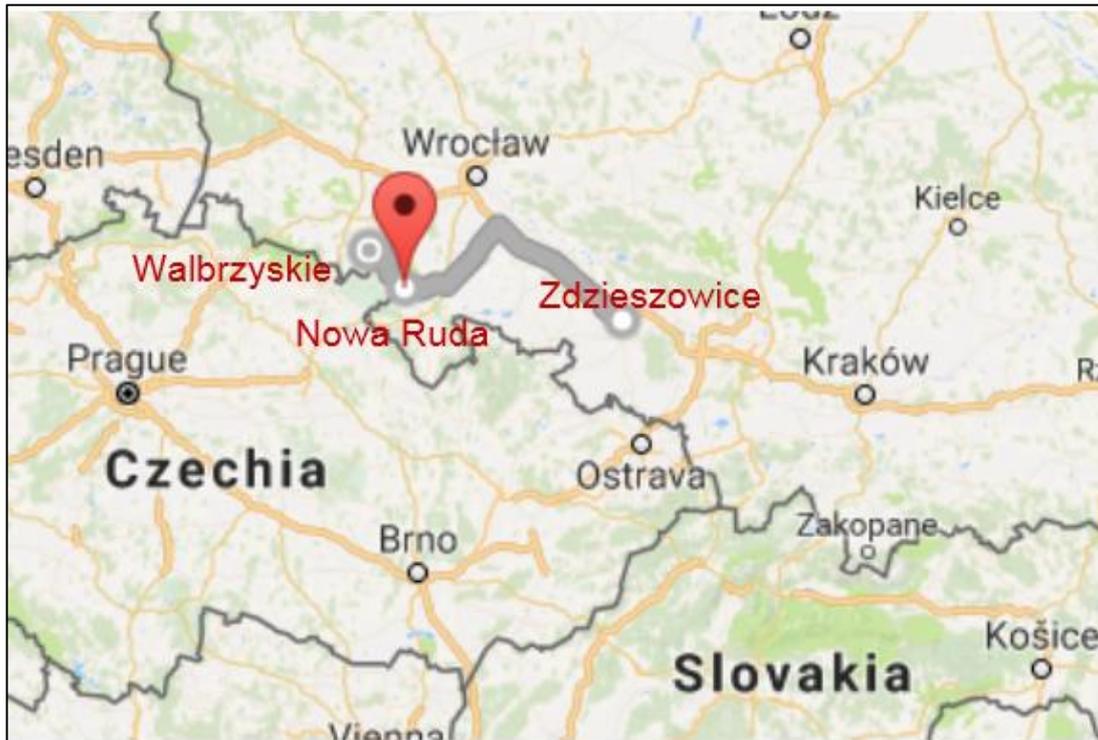
Considering high variations of seams dips across the deposit (from completely flat zones to highly dipping areas) Deposit Development Plan has been compiled with the assumption for mixed mining method, i.e. to apply both Room-and-Pillar as well as longwall mining methods.

The room-and-pillar method is being based on a network of perpendicular, crossing workings, with pillars of coal mass in between, providing better roof support and giving the ability to control strata subsidence when mining front is in progress. Room-and-Pillar mining will suit the local conditions of Nowa Ruda Project, especially in non-dipping zones.

## 4.9 Coal Users - Coke Plants

Europe relies on imports of over 85% of its hard-coking coal needs primarily from Australia, the USA and Russia. There are several Coke Oven Plants in a radius of 200 km. Walbrzyskie and Zdieszowice are two of the closest major plants.

**Figure 4:8 Coke Plants near Nowa Ruda Mine**



#### **Walbrzyskie Coke Plant (Victoria)**

90% of historical coal production from Nowa Ruda coal mines has been processed at four coking plants in the Walbrzych region approximately 40 km north of Nowa Ruda. In 1961 the four coke plants were amalgamated into a single larger plant designated 'Walbrzych'. It consists of five coke oven batteries and is a significant European producer of foundry coke of +100 mm granulation. Wałbrzyskie Zakłady Koksownicze Victoria S.A.(Victoria) is the holding company and operators of the coke plant. Total coke production at Wałbrzyskie Zakłady Koksownicze Victoria Walbrzych is currently over 500,000 tonnes per annum.

#### **Zdzieszowice Coke Plant (Arcelor Mittal)**

Zdzieszowice Plant is ~150km from Nowa Ruda and is owned by ArcelorMittal. It is Europe's largest coking plant with a capacity of 4Mtpa.

### **4.10 Approvals**

Balamara Resources was awarded approval of the District Mine Bureau (O.U.G.) in Wrocław for its Deposit Development Plan in June 2015.

During 2018, Balamara has seen the granting of environmental approval at Nowa Ruda and has subsequently lodged the mining license application. Balamara estimates that permitting and licensing to be completed in the first half of 2019.

With the agreement on a fixed price sales contract for two million tonnes from 2021 to 2023 Balamara now has the required security to proceed with finalising the project construction finance.

#### **4.11 Mining Insights Review**

Mining Insights has reviewed the Nowa Ruda Resource Report at a high level. Whilst Mining Insights agrees with the broad principles and methods involved in the resource estimation, Mining Insights has not independently reviewed the Resource model in detail or verified the updated tonnes and grades.

Mining Insights considers that the Nowa Ruda Mineral Resources have been appropriately estimated and that good practice has been followed. The Mineral Resource estimate is considered reasonable.

Further, Mining Insights notes that variability of coal quality, amount of gas content and the presence of unknown structural faults to be the coal resource risks.

## 5 Valuation

### 5.1 Valuation Approaches

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

In determining the appropriate method(s) to be used for valuation of these assets, Mining Insights has taken into consideration the classification of these assets as defined in the VALMIN Code and the different methodologies that are generally accepted as an industry practice for each classification. Generally, there are three broad methods of valuation that are used for valuing mineral assets. These are i) the cost approach, ii) the income approach, and iii) the market approach, with each being suitable for the relevant status of the exploration or mining project from grassroots exploration through to operating mine, respectively.

The asset classifications that may be applied to a project are set out in Table 5:1.

**Table 5:1 Typical Valuation Methods**

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

*Source: VALMIN CODE, 2015*

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

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

An understanding of the geology of the mineral deposit, structure and defined mineral resources places the Balamara's tenements in the Exploration or Pre-Development classification phase. A large range of valuation methods is recognised for this status with some

requiring a degree of subjective estimation. All have been used by valuation practitioners and usually, a combination of methods is used as a cross check to the reasonableness of the input assumptions.

A meaningful value using a discounted cash flow method for these projects cannot be obtained as further work is needed to delineate/ augment its JORC Reserves for these prospects. Therefore, for the valuation of these mineral assets, income-based approaches may not be appropriate.

Therefore, in accordance with Section 8.3 of the VALMIN 2015 code, Mining Insights has used two approaches “Market Comparable” and cost-based “Multiple of Exploration Expenses Method”, to derive the reasonable value of the mineral assets included under the scope of this Report. The selection of these two approaches is based on factors such as:

- development status of the mineral assets; and
- extent and reliability of available information.

In Mining Insights’ opinion, Balamara’s tenements are exploration/Pre-development projects and as discussed above, market comparative method and cost-based methods are generally used to value such type of projects. Therefore, Mining Insights has preferred to apply a combination of two methods to value the project due to the uncertainties attached to its progress. The valuation methods applied include market-based “Comparable Transactions Method” and cost-based “Multiple of Exploration Expenditure Method”.

The income-based approach wasn’t used for the valuation of these assets as none of the projects is at an advanced stage of development with predictive cash flow.

## **5.2 Valuation based on Market Comparable**

### **5.2.1 Valuation of Sawin Project based on Market Comparable**

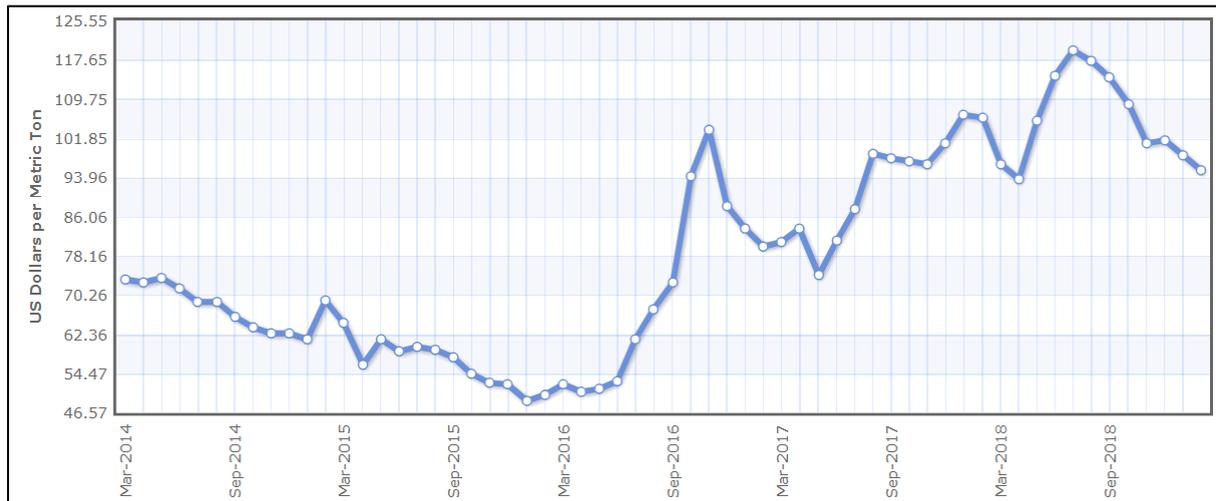
Sawin Project is an advanced exploration project located in Lublin Basin in Eastern-Poland. Coal Seams are typically under ~600 to 800 metres of cover (deep underground). This coal is generally suitable for the thermal power plant. The energy content of the mined coal is moderate but acceptable due to dilution with waste plys within coal bearing plys. Mining Insights further notes that nearly 50% of the tenement is covered with National Park which restricts the coal extraction underneath.

To determine the fair market valuation of the mineral asset at the Sawin Project, Mining Insights has reviewed market transactions involving sale and purchase of coal mining assets in the European Union region initially. Unfortunately, Mining Insights was able to identify only a few market transactions. Therefore, to increase the number the comparable transactions, Mining Insights opted to include transactions involving both greenfield coal projects and projects with significant historical mining operation globally (excluding Australia and Indonesia, being top 2 global exporters of coal) and having a delineated Coal Resources reported in accordance with internationally accepted standards (JORC, NI43-101 and SME).

Furthermore, it may be noted that the thermal coal price has been increasing since early 2016 after declining during the 2012-2016 period (Figure 5:1). Since July 2018, prices have normalised to a more stable level.

Most industry experts are of the opinion that the current and expected continued easing of Beijing’s reform policies are expected to drive thermal coal prices down over the medium term. Moving forward, the Benchmark thermal coal contract price is expected to stabilise around US\$75 per tonne as per consensus economics forecast.

**Figure 5:1 Thermal Coal Price Trend**



Source: Indexmundi, April 2019

Mining Insights has identified fourteen (14) recent transactions for coal projects which can be considered relevant in assessing the current reasonable value for the Sawin Project. These market transactions are listed in Table 5:2.

**Table 5:2 Recent Market Transactions for Coal Projects**

Year	Project	Buyer	Seller	Location	Stake (%)	Value A\$M 100% Basis	Coal Type	Resources Mt	Implied Value A\$/t Resource
Nov-18	Tenas	Itochu Corporation	Allegiance Coal Ltd	Canada	20%	35.0	Coking	126.0	0.28
Oct-18	Berkh Uul	Altain Nuurs LLC	Viking Mines Ltd	Mongolia	100%	1.4	Thermal	38.3	0.04
Jul-18	Crown Mountain	Bathurst Resources Ltd	Jameson Resources Ltd	Canada	8%	204.0	Coking	98.6	2.07
Nov-17	Mabsekwa	Kibo Mining Plc	Shumba Energy Ltd	Botswana	85%	12.9	Thermal	777.0	0.02
Sep-17	Elan	Kuro Coal	Elan Coal	Canada	85%	8.0	Coking	146.5	0.05
Mar-17	Revelation	Ramaco	Jewell Ridge	USA	100%	0.2	Coking	10.0	0.02
Oct-16	Debiensko	Prairie Downs Coal	NWR Karbonia S.A	Poland	100%	3.0	Coking		
Sep-16	Telkwa	Allegiance Coal	Telkwa Coal	Canada	90%	1.4	PCI	165.0	0.01
Apr-16	Mine 4 & Mine 7	Warrior Met Coal	Walter Energy	USA	100%	1717.0	Coking		
Dec-15	Pinnacle & Oak Grove Mines	Seneca Coal	Cliff Natural Resources	USA	100%	366.8	Thermal		
Feb-15	Vista	Coalspur	KC Euro Holdings	Canada	100%	15.0	Thermal	1321.6	0.01
Nov-14	Kodiak	Magni Resources	Attila Resources	USA	70%	90.7	Coking	126.6	0.72
Oct-14	Mariola	Balamara Resources	Carbon Investment	Poland	85%	15.2	Thermal	77.0	0.20
Jul-14	Riversdale	ICVL	Rio Tinto	Mozambique	65%	81.5	Coking	5700.0	0.01

*The transaction value was converted into AUD based on the exchange rate at that time.*

*Coal Resources & Reserves are reported either in the NI 43-101 Code or JORC Code.*

*Coal Reserves for properties located in the USA has been reported under SME Code of Reporting.*

To determine the fair market value of the Sawin Project, Mining Insights analysed the recent market transactions (Table 5:2) involving coal projects located globally excluding major coal exporting countries of Australia and Indonesia. The following paragraphs summarise the analysis of these transactions.

Considering the risk profile based on project location, depth, geological factors, environmental restriction over 50% of the tenement area and other micro and macro-economic parameters (including market sentiment and prices), in Mining Insights' opinion, the implied value of Coal Resources at the Sawin Project should be in the range of A\$0.02/t to A\$0.03/t of Coal Resource with a preferred value of A\$0.025/t of Coal Resource.

Therefore, based on market comparable transactions, the valuation of the Sawin Project was assessed to be in the range of A\$24M to A\$36M, with a preferred value of A\$30M, reflecting the uncertainty of eventual extraction of a mineral resource. A summary of Mining Insights' market-based valuation is presented in Table 5:3.

**Table 5:3 Valuation of Sawin Project based on Market Comparable**

Property	Mineral Resource (Mt)	Market Comparable Value (A¢/t)			Market Comparable Value (A\$M)		
		Lower	Preferred	Upper	Lower	Preferred	Upper
Sawin Project (100% Basis)	1,200	2.0	2.5	3.0	24.0	30.0	36.0

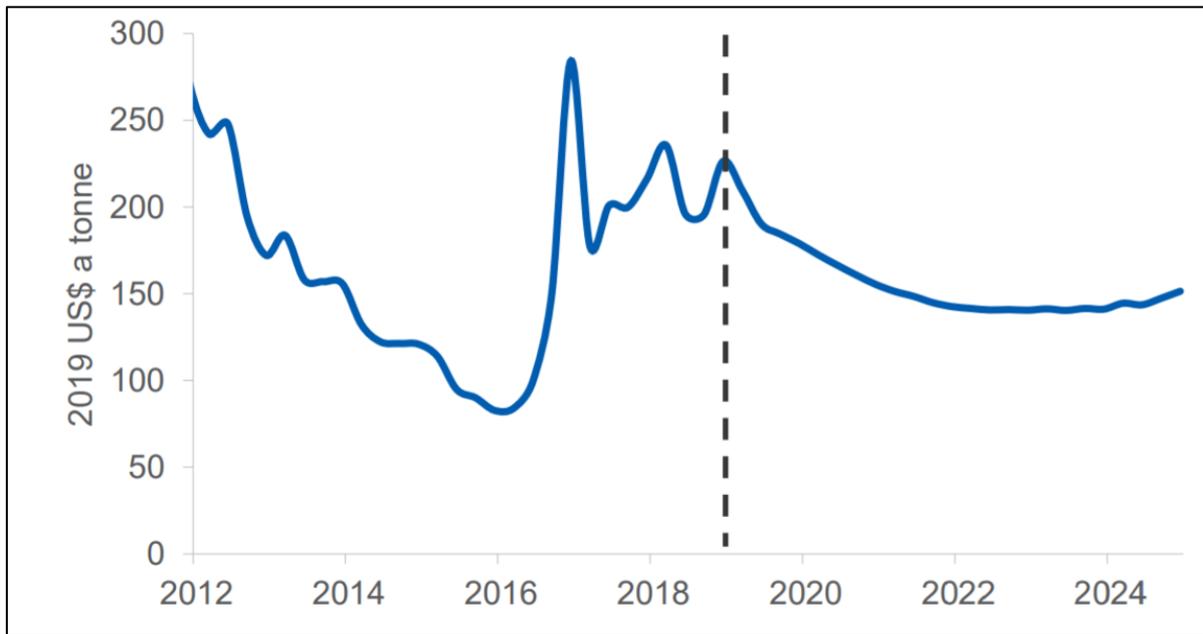
### 5.2.2 Valuation of Nowa Ruda Project based on Market Comparable

The Nowa Ruda Project is an advanced exploration project located in Lower Silesian Basin in Southern-Poland. The basin hosts several historical mines but none of these is currently operating. Coal Seam is typically under ~600 metres of cover (deep underground) and generally contains high amounts of gas (methane, carbon monoxide etc.). This coal generally exhibits coking properties making it amiable for use in steel making.

Furthermore, it may be noted that the coking coal price has been increasing since early 2016 after a decline during the 2012-2016 period (Figure 5:2). Since then, prices for the coking coal have more than double until the spot price spike in April 2017, in the wake of the destruction left behind by Cyclone Debbie in Queensland, the world's largest metallurgical coal exporting region. Since then, prices have normalised to a more stable level.

Most industry experts are in the opinion that long term demand for coking coal demand is expected to be robust as Indian and Chinese reliance for imported coking coal is expected to increase with an increase in steel production. Moving forward, the Benchmark prime hard coking coal contract price is expected to stabilise around US\$150 per tonne as per consensus economics forecast.

**Figure 5:2 Coking Coal Price Trend**



Source: Department of Industry; Innovation and Science, Commonwealth of Australia (April 2019)

Mining Insights has identified fourteen (14) recent transactions for coal projects which can be considered relevant in assessing the comparable market value for the Nowa Ruda Project. These market transactions are listed in Table 5:2.

Considering location, depth, geological factors including major faults, coal seam gas, and other micro and macro-economic parameters (including market sentiment and prices), in Mining Insights' opinion, the implied value of Coal Resources at the Nowa Ruda Project should be in the range of A\$0.10/t to A\$0.20/t of Coal Resource with a preferred value of A\$0.15/t of Coal Resource.

Therefore, based on market comparable transactions, the valuation of the Nowa Ruda Project was assessed to be in the range of A\$8.7M to A\$17.3M, with a preferred value of A\$13.0M, reflecting the uncertainty of eventual extraction of a mineral resource. A summary of Mining Insights' market-based valuation is presented in Table 5:4.

**Table 5:4 Valuation of Nowa Ruda Project based on Market Comparable**

Property	Mineral Resource (Mt)	Market Comparable Value (A¢/t)			Market Comparable Value (A\$M)		
		Lower	Preferred	Upper	Lower	Preferred	Upper
Nowa Ruda Project	86.5	10	15	20	8.7	13.0	17.3

### 5.3 Valuation based on Multiple of Exploration Expenditures

In addition, Mining Insights has analysed past exploration expenditure and applied a range of prospectivity enhancement factors to estimate the current technical value.

In the case of an Exploration Property, and to a lesser extent an Advanced Exploration Property, the potential is more speculative and the valuation is dependent to a large extent on the informed, professional opinion of the valuator. Where useful previous exploration and future committed expenditure is known or can be reasonably estimated, the Multiple of Exploration Expenditure (“MEE”) method is considered to represent one of the more appropriate valuation techniques.

This method involves assigning a premium or discount to the relevant effective Expenditure Base (“EB”), represented by past and future committed expenditure, through the application of a Prospectivity Enhancement Multiplier (“PEM”). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a ‘grass roots’ project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value.

The MEE method relies on the assumption that well-directed exploration adds value to a property. This is not always the case and exploration can also downgrade a project. The PEM, which is applied to the effective expenditure relating to exploration projects therefore commonly ranges from 0.5 to 5.0. The PEM generally falls within the following ranges:

**Table 5:5 Prospectivity Enhancement Multipliers**

PEM Range	Criteria
0.2 - 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation defined
0.5 - 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 - 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 - 1.5	Exploration has considerably enhanced the prospectivity (geological mapping, geochemical or geophysical activities)
1.5 - 2.0	Scout drilling (RAB, Aircore, RC) has identified economic drill intersections of mineralisation
2.0 – 2.5	Detailed drilling has defined prospects with a potential economic interest
2.5 – 3.0	A Mineral Resource has been estimated at predominately at Inferred JORC category
3.0 – 4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Pre-feasibility Study
4.0 – 5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

The considered exploration spend is based on previous in-ground expenditure and committed future expenditure which is adjusted for inflation.

Mining Insights has been advised by Balamara that previous exploration expenditure totals approximately A\$14.03M since the acquisition of these tenements in 2015 (Table 5:6).

**Table 5:6 Exploration Expenditure – Sawin & Nova Ruda Project**

Financial Year	Exploration Expenditure (A\$)	
	Sawin	Nowa Ruda
2014 – 15	\$56,603	\$2,899,861
2015 – 16	\$3,768,899	\$818,425
2016 – 17	\$356,046	\$491,655
2017 – 18	\$788,592	\$174,021
2018 -2019 YTD	\$4,594,615	\$79,849
<b>Total</b>	<b>\$9,564,755</b>	<b>\$4,463,811</b>

Mining Insights has assessed PEM to be between 2.5 and 3.5 for both Sawin and Nova Ruda after considering the coal type, depth, thickness, environmental constraints, mining and coal processing characteristics of the deposit.

Table 5:7 presents a summary of the rating factors and technical value for the Sawin and Nova Ruda Projects based on the Multiples of Exploration Expenditure (MEE) Rating.

**Table 5:7 Valuation based on Multiple of Exploration Expenditure**

Project	Expenditure Base (A\$M)	Prospectivity Enhancement Multiplier (PEM)			Valuation (A\$M)		
		Low	Preferred	High	Low	Preferred	High
Sawin	9.56	2.5	3.0	3.5	23.9	28.7	33.5
Nowa Ruda	4.46	2.5	3.0	3.5	11.2	13.4	15.6
<b>Cost Based Valuation – Balamara (100% basis)</b>					<b>35.1</b>	<b>42.1</b>	<b>49.1</b>

Applying the MEE method, Mining Insights estimates the implied value for Balamara’s 100% interest in the Sawin and Nova Ruda Projects resides within the range A\$35.1M to A\$49.1M.

## 5.4 Valuation Summary

In forming its opinion of the reasonable value of Balamara's tenements, Mining Insights has taken guidance from the comparable market transactions method and multiple of exploration expenditure methods. In selecting its overall value range and preferred value, Mining Insights has placed equal weight on the values implied by the Comparable Transaction and Multiple of Exploration Expenditure Methods, with a preferred value being halfway between the low and high-value range. Summary for the Balamara's tenements (on 100% basis) is shown in Table 5:8.

**Table 5:8 Valuation – Balamara Projects (100% Basis)**

Project	Method	Implied Value (A\$M)		
		Low	Preferred	High
Sawin	Comparable Transaction	24.0	30.0	36.0
	Geoscientific Rating	23.9	28.7	33.5
	<b>Selected</b>	<b>24.0</b>	<b>29.4</b>	<b>34.8</b>
Nowa Ruda	Comparable Transaction	8.7	13.0	17.3
	Geoscientific Rating	11.2	13.4	15.6
	<b>Selected</b>	<b>10.0</b>	<b>13.2</b>	<b>16.4</b>
Total (Balama's 100% Share)		<b>33.9</b>	<b>42.6</b>	<b>51.2</b>

Based on Market Comparable and Geoscientific Rating method, the valuation for Balamara's relevant interest in its portfolio of tenements has been determined to be in the range of A\$33.9M to A\$51.2M with a preferred value of A\$42.6M. This valuation range is considered appropriate for the projects at this stage of development, reflecting the uncertainty of eventual extraction of a mineral resource.

### 5.4.1 Previous Valuation

Manish Garg has previously valued Balamara's mining assets in October 2017. The current valuation of Sawin is lower than previous valuation to account for increased discounting for mid calorific value energy coal (5,500 kcal/kg energy and lower) compared to the high energy coal (6,322 kcal/kg) benchmark index. Nowa Ruda's valuation has increased as project advances in its environmental and mining approval process.

**Table 5:9 Valuation - Comparison with the Previous Estimate**

Project	Unit	May-19	Oct-17
Sawin	A\$M	30.0	36.0
Nowa Ruda	A\$M	13.2	8.7
Valuation – Balamara Projects	A\$M	<b>42.6</b>	<b>44.7</b>

Compiled by



Manish Garg  
Director / Mineral Asset Valuation Specialist

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## Appendix A – Valuation Approaches and Methods

To ensure compliance with the ASX’s listing rules and Australian Corporations Law, this Report has been prepared in accordance with the VALMIN Code. Under the VALMIN Code, mineral assets are classified according to their maturity. A mineral asset includes all property held for the purpose of near term or eventual mineral extraction, including but not limited to:

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

Most mineral assets can be classified as outlined in the table below.

**Mineral asset classification**

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

*Source: VALMIN, 2015*

Under the VALMIN Code, the value is the fair market value of a mineral asset (2015). Fair market value is the amount of money or the cash equivalent that a willing buyer and seller would exchange on the valuation date in an arm’s length transaction (VALMIN, 2015). Each party is assumed to have acted knowledgeably and without compulsion. In essence, fair market value is comprised of:

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

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

There is no single method of valuation which is appropriate for all situations. Rather, there are several valuation methods, each of which has some merit and is more or less applicable depending on the circumstances. Mineral assets are generally valued based on approaches that assess income, cost, and the open market. As the VALMIN Code is not prescriptive in this regard, the 2008 Edition of The South African Code for the Reporting of Mineral Asset Valuation (SAMVAL) and the Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties (CIMVAL) provide insight into applicable approaches, as shown in the table below.

**Valuation approaches for different types of mineral assets**

Approach	Project development stage			
	Exploration	Resource	Development	Operating
Income	No	Rarely	Yes	Yes
Cost	Yes	Rarely	No	No
Market	Yes	Yes	Yes	Yes

### **Market-based approach**

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value using a process similar to that in the real estate industry (CIMVAL, 2003). The market-based approach may use the assumption either of joint venture terms or outright acquisitions and can be presented in a range of unitised values including on a dollar per ounce or a tonne of contained metal/mineral; a dollar per square kilometre; or as a percentage of the prevailing commodity price.

In the Mining Insights' opinion, a market-based approach is well suited to establishing a likely value for mineral deposits and exploration projects, as it inherently takes into account all value drivers.

### **Related comparable transactions**

Recent comparable transactions can be relevant to the valuation of projects and concessions. While it is acknowledged that it can be difficult to determine to what extent the properties and transactions are indeed comparable unless the transactions involve the specific parties, projects or concessions under review, this method can provide a useful benchmark for valuation purposes. The timing of such transactions must be considered as there can be a substantial change in value with time.

Mining Insights has considered whether any comparable relevant transactions have taken place in recent years which can be used as a basis for estimation of the value of the mining assets assessed herein.

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

- the grade of the resource
- the metallurgical qualities of the resource
- location of the deposit (geopolitical risk associated with the location)
- the proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled workforce, equipment, etc.
- likely operating and capital costs
- the amount of pre-strip (for open pits) or development (for underground mines) necessary
- the likely ore to waste ratio (for open pits)
- the size of the concession covering the mineral asset, and
- the overall confidence in the resource.

### **Alternative offers and joint venture terms**

If discussions have been held with other parties and offers have been made on the project concessions under review, then these values are certainly relevant and worthy of consideration. Similarly, joint venture terms where one party pays to acquire an interest in a project or spends exploration funds in order to earn interest, provide an indication of value.

### **Rules of thumb or yardsticks**

Certain industry ratios are commonly applied to mining projects to derive an approximate indication of value. The most commonly used ratios are dollars per tonne of coal in resources, dollars per tonne of coal in reserves, and dollars per tonne of annual production. The ratios used commonly cover a substantial range which is generally attributed to the 'quality' of the coal, the infrastructure to reach markets and the status of the tonnes estimates. Low cost of production tonnes is clearly worth more than high-cost tonnes. Where a project has the substantial future potential not yet reflected in the quoted resources or reserves a ratio towards the high end of the range may be justified.

### **Other Expert Valuations**

Where other independent experts or analysts have made recent valuations of the same or comparable properties, these opinions clearly need to be reviewed and to be taken into consideration.

### **Cost-based Approaches**

#### **Appraised Valuation or Multiple of exploration expenditure method (MEE)**

Past expenditure or the amount spent on exploration of a concession is commonly used as a guide in determining the value of exploration concessions, and 'deemed expenditure' is frequently the basis of joint venture agreements. The assumption is that well-directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a 'prospectively enhancement multiplier' (PEM), which commonly ranges from 0.5-5.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement.

To eliminate some of the subjectivity with respect to this method, Mining Insights applies a scale of PEM ranges as follows to the exploration expenditure:

### Prospectively enhancement multipliers

PEM Range	Criteria
0.2 - 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation defined
0.5 - 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 - 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 - 1.5	Exploration has considerably enhanced the prospectivity (geological mapping, geochemical or geophysical activities)
1.5 - 2.0	Scout drilling (RAB, Aircore, RC) has identified economic drill intersections of mineralisation
2.0 – 2.5	Detailed drilling has defined prospects with a potential economic interest
2.5 – 3.0	A Mineral Resource has been estimated at Inferred JORC category
3.0 – 4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Pre-feasibility Study
4.0 – 5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

*Source: Mining Insights*

Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties.

### Geo-Scientific rating (or Kilburn method)

Geo-Scientific rating (or Kilburn method), is used to value early stage exploration assets. This method is an attempt by the valuation expert to quantify the various technical aspects of a property through the use of multipliers which are applied to a base or intrinsic value (Goulevitch J & Eupene G S, 1994 and Kilburn,1990). This intrinsic value is known as the base holding cost (BHC) which represents “the average cost to identify, apply for and retain a base unit of area of tenement title”.

To derive a value for each property, the valuation expert considers four key attributes which either enhance or downgrade the BHC of each property. The technical factors considered are:

- the Off-property factor – nearby properties containing physical indications of favourable mining conditions such as old workings and/or mines;
- the On-property factor – the property being assessed hosts favourable mining indications such as historic workings or mines. Importantly any mineralisation capable of supporting a Mineral Resource estimate, compliant according to the guidelines of the JORC Code, will be assessed using other valuation methods;
- the Anomaly factor – assesses the degree of exploration completed over the property and the number of resultant mineralised targets identified, and
- the Geological factor – assesses the area covered by and degree of exposure of favourable rock types and/or structures (if this is related to the mineralisation style being assessed) within the property.

These attributes are given incremental, fractional or integer ratings to arrive at a series of multiplier factors. These multipliers are then applied sequentially to the BHC to estimate the Technical Value of each mineral property. This is adjusted for local market conditions to determine the Fair Market Value of the project as at the effective valuation date. The strength of the geo-scientific method is that it makes an attempt to implement a systematic system. Whilst it does require a subjective assessment of the various multipliers, it also demands a degree of detached rigour to account for the key factors that can be reasonably considered to impact on the exploration potential of a property. Mining Insights' multipliers or ratings and the criteria for rating selection are summarised in the table below.

### Geo-Scientific Rating Criteria

Rating	Off property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1			No anomaly identified	Unfavourable geological setting
0.5	Unfavourable district/basin	Unknown area	Extensive previous exploration provided poor results	Poor geological setting/ extensive cover
0.9			Poor results to date	Generally, favourable geological setting, undercover or complexly deformed
1	No known mineralisation in the district	No known mineralisation on lease	No targets outlined	Generally favourable geological setting
1.5	Minor workings	Minor workings or mineralised zones exposed	Target identified, initial indications positive	
2	Several old workings in district	Several old workings or exploration targets identified	Several well-defined targets supported by limited drill data	Multiple exploration models being applied simultaneously
2.5			Several well-defined targets with encouraging drill results	Well defined exploration model applied to new areas
3			Significant grade intercepts evident but not linked on the cross or long section	Significant mineralised zones exposed in prospective host rocks
3.5	Mine or abundant workings with significant previous production	Mine or abundant workings with the previous production		
4	Along strike from a major deposit	Major mine with significant historical production	Several sub-economic grades intercept on adjacent sections	Well understood exploration model, with valid targets in the structurally complex area, or undercover
5	Along strike of the world-class deposit		Marginal economic targets of significant size	Well understood exploration model, with valid targets in well-understood stratigraphy
6			Several significant ore grade correlate-able intersections	Advanced exploration model constrained by known and well-understood mineralisation
10		World class mine		

(modified by Mining Insights)

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