Strategic Pooled Development Limited
ACN 062 187 893

Notice of General Meeting
Explanatory Statement

Date of Meeting
31 October 2011

Time of Meeting
11.00am

Place of Meeting
Level 24, 385 Bourke Street, Melbourne, Victoria

This Notice of General Meeting should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser before voting.
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Notice of General Meeting

Notice is hereby given that Strategic Pooled Development Limited ACN 062 187 893 (SPD or the Company) will hold a general meeting at Level 24, 385 Bourke Street, Melbourne, Victoria on 31 October 2011 at 11.00am (Melbourne time).

The Explanatory Statement that accompanies and forms part of this notice of general meeting (Notice) describes the matters to be considered at the meeting.

AGENDA

Resolution 1 – Approval for change in nature and scale of activities

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

"That, subject to the passing of Resolutions 2, 3, 4, 5, 6 and 7 set out in the Notice of Meeting, for the purposes of ASX Listing Rule 11.1.2, approval is given for the Company to make a significant change in the nature and scale of its activities by acquiring from Saul Geological Pty Ltd ACN 073 278 421 all of the issued capital of Resolve Coal Pty Ltd ACN 151 212 083 and acquiring from David Keilar, Bing Bai, Jillian Cooper, Alan Hansen, Robert Coulls, Neil Biggs, Michael Skinner and Steven Spargo all of the employee options exercisable for shares in Resolve Coal Pty Ltd ACN 151 212 083 on the terms and conditions described in the Explanatory Statement accompanying the Notice of Meeting."

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed and any of their associates.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Consolidation of capital

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

"That, subject to the passing of Resolutions 1, 3, 4, 5, 6 and 7 set out in the Notice of Meeting, for the purposes of section 254H of the Corporations Act, the issued capital of the Company be consolidated on the basis that every five (5) shares be consolidated into one (1) share, with the consolidation taking effect on a date announced to the ASX in accordance with the ASX Listing Rules, and where this consolidation results in a fraction of a share being held by a shareholder, the directors be authorised to round that fraction up to the nearest whole share."
Resolution 3 – Change in constitution

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

"That the constitution of SPD be amended by deleting clause 3 in its entirety."

Resolution 4 – Approval for issue of ordinary shares and performance shares to Saul Geological Pty Ltd

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

"That, subject to the passing of Resolutions 1, 2, 3, 5, 6 and 7 set out in the Notice of Meeting, for the purposes of ASX Listing Rule 7.1, section 246B of the Corporations Act and clause 2.3 of the Company's constitution, approval is given for the Company to allot and issue 64,100,633 ordinary shares and 23,309,321 performance shares in the Company to Saul Geological Pty Ltd ACN 073 278 421 in consideration for the acquisition of all of the issued capital of Resolve Coal Pty Ltd ACN 151 212 083 on the terms and conditions described in the Explanatory Statement accompanying the Notice of Meeting."

Voting Exclusions

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Saul Geological Pty Ltd and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any of their associates. However, the Company need not disregard the votes if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Approval for Saul Geological Pty Ltd, Gordon Saul and Lynn Saul to acquire a relevant interest in voting shares in SPD

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

"That, subject to the passing of Resolutions 1, 2, 3, 4, 6 and 7 set out in the Notice of Meeting, for the purposes of item 7 in the table in section 611 of the Corporations Act, approval is given for Saul Geological Pty Ltd ACN 073 278 421, Gordon Robert Shackelton Saul and Lynn Margaret Saul to acquire:

(a) 64,100,633 ordinary shares and 23,309,321 performance shares in the Company by the Company issuing those shares to Saul Geological Pty Ltd ACN 073 278 421 in consideration for the acquisition of all of the issued capital in Resolve Coal Pty Ltd ACN 150 212 083; and

(b) 23,309,321 ordinary shares in the Company upon the conversion of the 23,309,321 performance shares referred to in paragraph (a) in accordance with their terms, on the terms and conditions described in the Explanatory Statement accompanying the Notice of Meeting."
Resolution 6 – Approval for issue of employee options to optionholders in Resolve Coal Pty Ltd

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

"That, subject to the passing of Resolutions 1, 2, 3, 4, 5 and 7 set out in the Notice of Meeting, for the purposes of ASX Listing Rule 7.1, approval is given for the Company to issue to each of the persons listed below the number and type of options over shares in the Company that is set out adjacent to their name as follows:

- David Keilar – 3,531,563 options (without performance hurdle) and 1,284,205 options (with performance hurdle);
- Bing Bai – 1,187,057 options (without performance hurdle) and 431,657 options (with performance hurdle);
- Jillian Cooper – 6,288,779 options (without performance hurdle) and 2,286,828 options (with performance hurdle);
- Alan Hansen – 3,531,563 options (without performance hurdle) and 1,284,205 options (with performance hurdle);
- Robert Coulls – 3,531,563 options (without performance hurdle) and 1,284,205 options (with performance hurdle);
- Neil Biggs – 2,432,383 options (without performance hurdle) and 884,503 options (with performance hurdle);
- Michael Skinner – 3,531,563 options (without performance hurdle) and 1,284,205 options (with performance hurdle); and
- Steven Spargo – 3,531,563 options (without performance hurdle) and 1,284,205 options (with performance hurdle),

in consideration for the acquisition of all of the issued employee options of Resolve Coal Pty Ltd ACN 151 212 083 on the terms and conditions described in the Explanatory Statement accompanying the Notice of Meeting."

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by David Keilar, Bing Bai, Jillian Cooper, Alan Hansen, Robert Coulls, Neil Biggs, Michael Skinner and Steven Spargo and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any of their associates. However, the Company need not disregard the votes if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
Resolution 7 – Approval for issue of shares under prospectus

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

“That, subject to the passing of Resolutions 1, 2, 3, 4, 5 and 6 set out in the Notice of Meeting, for the purposes of ASX Listing Rule 7.1, approval is given for the Company to allot and issue up to 33,333,333 shares in the Company at an issue price of $0.60 per share under a prospectus on the terms and conditions as described in the Explanatory Statement accompanying the Notice of Meeting.”

Resolution 8 – Approval for participation by related parties of SPD in the share issue under prospectus

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

“That, subject to the passing of Resolutions 1, 2, 3, 4, 5, 6 and 7 set out in the Notice of Meeting, for the purposes of ASX Listing Rule 10.11, approval is given for the current and proposed directors of the Company, their nominees and any of their associates to participate in the share issue contemplated by Resolution 7 set out in the Notice of Meeting.”

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any director of the Company, being Stephen Sedgman, John Walker, Andrew Kroger and the proposed directors of the Company, Gordon Saul, Dave Mathew, Greg Clark and Michael Howard, their nominees and any of their associates.

However the Company need not disregard a vote if:
- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9 – Approval to dispose of Fisher Graham Wealth assets to Fisher Graham Group

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

“That, for the purposes of ASX Listing Rule 10.1, approval is given for the Company to dispose of 7,000,000 class A shares and 2,750,000 class B shares in Fisher Graham Wealth Pty Ltd ACN 123 969 219 to Fisher Graham Group Pty Ltd ACN 100 550 650 and to forgive a proportion of the debt owed by Fisher Graham Wealth Pty Ltd and its related bodies corporate to Company, on the terms and conditions described in the Explanatory Statement accompanying the Notice of Meeting.”

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Fisher Graham Group Pty Ltd and its associates. However the Company need not disregard a vote if:
- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
Resolution 10 – Approval to change name

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

“That, subject to the passing of Resolutions 1, 2, 3, 4, 5, 6 and 7 and subject to completion of the acquisition referred to in Resolution 4, for the purposes of section 157 of the Corporations Act, the name of the Company be changed to 'Resolve Energy Limited'."

BY ORDER OF THE BOARD, DATED 30 SEPTEMBER 2011

John Walker
Company Secretary

Voting and the proxy

For the purpose of determining the voting entitlements at the meeting, the directors have determined that shares in the Company will be taken to be held by the registered holders of those shares at 11.00am (Melbourne time) on 29 October 2011 being not more than 48 hours before the meeting. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

A shareholder wishing to vote on the resolutions contained in this Notice should either attend in person, or appoint a proxy or proxies to attend or vote on the shareholder’s behalf. A proxy form is enclosed with this Notice. The proxy or proxies do not need to be a shareholder of the Company. A shareholder that is a body corporate may appoint a representative to attend in accordance with the Corporations Act.

A shareholder entitled to attend and to cast two or more votes is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder’s voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes able to be cast by the appointing shareholder.

The proxy form (and any power of attorney under which it is signed) must be received at the address below not later than 11.00am (Melbourne time) on 29 October 2011 (being 48 hours before the commencement of the meeting). Any proxy forms received after that time will not be valid for the meeting.

Completed proxy forms should be sent to:

By mail: Level 1, 139 Collins Street, Melbourne VIC 3000

By fax: (03) 9639 1861
Explanatory Statement

This Explanatory Statement has been prepared to provide shareholders with material information to enable them to make an informed decision on the business to be conducted at the general meeting of SPD to be held at Level 24, 385 Bourke Street, Melbourne, Victoria on 31 October 2011 at 11:00am (Melbourne time).

The directors recommend shareholders read this Explanatory Statement in full before making any decision in relation to the resolutions.

**Background**

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

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

As announced to ASX on 5 July 2011, SPD has entered into a conditional share and option exchange agreement with Saul Geological Pty Ltd (Saul Geological), David Kelkar, Bing Bai, Jillian Cooper, Alan Hansen, Robert Coulls, Neil Biggs, Michael Skinner and Steven Spargo (Optionholders) to acquire all of the issued shares and employee options in Resolve Coal Pty Ltd (Resolve Coal) (Share and Option Exchange Agreement). The assets of Resolve Coal are rights to acquire a portfolio of coal assets located in Queensland, along with one application for a Queensland coal exploration permit and four applications for coal licences in British Columbia, Canada summarised below and set out in more detail in the Geologist’s Report in Annexure B and the Legal Reports in Annexures C and E (Coal Assets).

**The Coal Assets**

**Assets in Queensland, Australia**

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

<table>
<thead>
<tr>
<th>Tenement Number</th>
<th>Title</th>
<th>Location</th>
<th>Coal Type</th>
<th>Mining Method</th>
<th>Size (km²)</th>
<th>Resolve Holding %</th>
<th>Date Applied/Granted</th>
<th>Tenure Length (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC 1663</td>
<td>Pigeonhole Creek</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>Opencut</td>
<td>38.31</td>
<td>100</td>
<td>26/11/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1754</td>
<td>Bully Creek</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>Opencut</td>
<td>156.5</td>
<td>100</td>
<td>29/10/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1673</td>
<td>Sherwood Park</td>
<td>Eromanga Basin</td>
<td>Thermal Coal</td>
<td>Opencut</td>
<td>903.2</td>
<td>100</td>
<td>29/10/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1954</td>
<td>Jeffries Creek</td>
<td>Bowen Basin</td>
<td>Thermal/Coking Coal</td>
<td>Underground</td>
<td>34.56</td>
<td>100</td>
<td>04/02/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPCA 2618</td>
<td>Gindie</td>
<td>Bowen Basin</td>
<td>Thermal/Coking Coal</td>
<td>Underground</td>
<td>47.17</td>
<td>100</td>
<td>21/06/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPCA 2050</td>
<td>Row Creek</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>Opencut</td>
<td>79.89</td>
<td>100</td>
<td>02/02/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1857</td>
<td>Lake Powalathanga</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>Opencut</td>
<td>290</td>
<td>100</td>
<td>26/07/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1969</td>
<td>Trafalgar</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>Opencut</td>
<td>161</td>
<td>100</td>
<td>21/04/2011</td>
<td>5</td>
</tr>
</tbody>
</table>
Jeffries Creek – EPC 1954

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

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

Gindie – EPCA 2618

The Gindie area is located as shown below.

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

The target area is located within the southwest portion of the Bowen Basin along the northwest margin of the Denison Trough. The tenement targets potential underground development within the coal bearing strata of the early Permian Reids Dome Beds, similar to that in Jeffries Creek tenement. The Reids Dome Beds gently dip east into the axis of the Denison trough, and are overlain by the Cattle Creek Group. Mesozoic sediments are absent, only Tertiary sediments and basalts lie above the Permian strata.
Galilee Tenements – EPC 1857, EPC 1969, EPC 1663, EPC 1754 and EPCA 2050

The Galilee tenement and application areas are shown below.
Lake Powlathanga / Trafalgar – EPC 1857 & EPC 1969 – Galilee Basin

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

The tenements target the coal within the Betts Creek Beds. While no coal quality data is available, two mineral holes some years ago intersected 6m of coal at 41m depth and 2.8m of coal at 40.5m. The nearest coal quality data comes from the Pentland Mine Development Lease owned by Xstrata Coal approximately 70km to the south west, indicating the likelihood of a high volatile bituminous coal endowment within these tenements.
Pigeonhole Creek / Bully Creek / Row Creek – EPC 1663, EPC 1754 and EPCA 2050 - Galilee Basin

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

The target is high volatile bituminous thermal coal. The Queensland Government View Hill drilling programme (5km south of EPC 1663) identified a workable cumulative coal section of 39.2m. Very large resource tonnages have been reported from the adjoining Vale and Macmines tenements.
Sherwood Park – EPC 1673 - Eromanga

The Sherwood Park area is located as shown below.
This tenement is located 140km north west of Charleville and 70km north of existing rail infrastructure. The target here is low ash, thick sub-bituminous coal. The Winton formation runs through the centre of the lease with coals traced through petroleum holes and water bores ranging in depth from 40m to 800m. The tenement has coal gasification rights over 75% (692km²). The petroleum pipeline servicing the Gilmore Gas Field is accessible to the tenement.

In addition to the applications described above, Resolve Coal has the rights to acquire EPCA 2341, known as Sandlands Creek, from Resolve Geo. This application area is located in the north east.
Galilee Basin near Pigeon Hole Creek, Billy Creek and Row Creek. However, the EPCA 2341 is a competing application and is not expected to be granted to Resolve Geo.

**Assets in British Columbia, Canada**

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

<table>
<thead>
<tr>
<th>Tenement Number</th>
<th>Title</th>
<th>Location</th>
<th>Coal Type</th>
<th>Mining Method</th>
<th>Size (km²)</th>
<th>Resolve Holding %</th>
<th>Date Applied</th>
<th>Tenure Length (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLA 417875</td>
<td>Mt Spieker South</td>
<td>British Columbia</td>
<td>Coking Coal</td>
<td>Opencut/Underground</td>
<td>13.27</td>
<td>100</td>
<td>29/6/2011</td>
<td>30</td>
</tr>
<tr>
<td>CLA 417876</td>
<td>Mt Spieker North</td>
<td>British Columbia</td>
<td>Coking Coal</td>
<td>Opencut/</td>
<td>4.42</td>
<td>100</td>
<td>29/6/2011</td>
<td>30</td>
</tr>
<tr>
<td>CLA 417873</td>
<td>Adams West</td>
<td>British Columbia</td>
<td>Coking Coal</td>
<td>Underground</td>
<td>14.41</td>
<td>100</td>
<td>29/6/2011</td>
<td>30</td>
</tr>
<tr>
<td>CLA 417874</td>
<td>Adams West</td>
<td>British Columbia</td>
<td>Coking Coal</td>
<td>Underground</td>
<td>2.88</td>
<td>100</td>
<td>29/6/2011</td>
<td>30</td>
</tr>
</tbody>
</table>

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

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

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

British Columbia is Canada’s largest exporter of coal and second biggest exporter of metallurgical coal globally.
Coal Exploration Targets

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

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

The potential quantity and grade of the exploration targets set out in the above table are conceptual in nature, there has been insufficient exploration to define a mineral resource for the purposes of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), and it is uncertain if further exploration will result in the determination of a mineral resource as defined in the JORC Code. You are cautioned not to place any undue reliance on the above and are referred to other risks set out below.
**Development Timetable**

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

<table>
<thead>
<tr>
<th>Project</th>
<th>Calendar Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td></td>
</tr>
<tr>
<td>Jeffries Creek</td>
<td>JORC Inferred &amp; Indicated</td>
</tr>
<tr>
<td>Lake Powlathanga Trafalgar</td>
<td>JORC Inferred &amp; Indicated</td>
</tr>
<tr>
<td>Pigeonhole Creek, Bully Creek, Row Creek</td>
<td>JORC Inferred &amp; Indicated</td>
</tr>
<tr>
<td>Gindie</td>
<td>Resource Identification</td>
</tr>
<tr>
<td>Sherwood Park</td>
<td>Geological Testing, Resource Identification</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td></td>
</tr>
<tr>
<td>Adams &amp; Adams West</td>
<td>JORC Inferred &amp; Indicated</td>
</tr>
<tr>
<td>Mt Spieker North &amp; South</td>
<td>JORC Measured</td>
</tr>
</tbody>
</table>
The references above to the potential to define a mineral resource for the purposes of the JORC Code are estimates only. It is uncertain whether or not future exploration will result in the potential to define the above mineral resources for the purposes of the JORC Code, and there is no guarantee that any of the potential mineral resource for the JORC Code would be defined in the estimated time frames, or at all. Accordingly there is also no guarantee that any of the tenements would achieve production in the estimated time frames, or at all.

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

Structure of Transaction

SPD proposes to acquire all of the issued shares and employee options in Resolve Coal from Saul Geological and the Optionholders for the issue of:

- 64,100,633 ordinary shares;
- 23,309,321 performance shares;
- 27,566,034 employee options (without performance hurdle); and
- 10,024,013 employee options (with performance hurdle),

in SPD.

As at the date of this Notice of Meeting the shares in Resolve Coal are not held by Saul Geological. A condition precedent in the Share and Option Exchange Agreement provides that all the shares in Resolve Coal be transferred by Resolve Geo Pty Ltd (Resolve Geo) to Saul Geological, so that SPD may acquire them from Saul Geological on completion of the Share and Option Exchange Agreement.

The number of shares and employee options has been calculated using the issue price used in the prospectus, namely $0.60 per share. Both the number and issue price of the shares and employee options are on a post consolidation basis.

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

- five coal exploration permits in Queensland; and
- applications for two further coal exploration permits in Queensland, along with the coal exploration permits upon those applications being granted,

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

Resolve Coal has also made the following further applications:

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

Directors of SPD after the Transaction

The current board of SPD currently comprises:

- Stephen Sedgman Managing Director
- Andrew Kroger Non executive Director
- John Walker Executive Director
At the conclusion of the necessary regulatory and shareholder approval processes, the current board of SPD will retire and be replaced by:

- Gordon Saul  Managing Director
- Dave Mathew  Chairman
- Greg Clark  Non-executive Director
- Michael Howard  Non-executive Director

Gordon Saul (aged 47) is owner and founder of Resolve Geo. He is a qualified geologist and has been actively involved in the mining sector for 25 years, in particular the coal industry over the past 20 years. Gordon is a foundation shareholder of ASX listed companies Bandanna Energy Ltd and Tigers Realm Coal Ltd.

Dave Mathew (aged 62) is a geologist by training with 30 plus years’ experience in international coal and coal seam gas exploration and development and investment with start up companies. He is currently a director of Exoma Energy Limited and was previously an executive director of Arrow Energy (China), and a past President of the Australian Coal Seam Gas Council. Dave was also a co-founder of CH4 Moranbah Gas Project in Queensland, co-founder of DJ Mining Pty Ltd and was a founding shareholder in Bandanna Energy Ltd. He has also held executive management positions with BHP Billiton Ltd and has a PhD in Coal Geology from the University of South Carolina, USA.

Greg Clark is the CEO of Mincom Pty Ltd, the global leader in software solutions for the mining industry, as well as the industry leader in Enterprise Asset Management. He has over 23 years’ experience in mining software solutions, advanced logistics, supply chain management, security, computer operating systems, SAAS hosting operations and enterprise scale applications. During his career, Greg has successfully grown two tech start ups into significant global brands and derived a significant turnaround at Mincom. Prior to his appointment at Mincom, he was President and CEO of E2open, an IBM Distinguished Engineer, and Vice President at IBM’s Tivoli Systems.

Michael Howard has over 30 years’ experience in the mining industry, having worked in various capacities with BHP and related companies from 1973 through to 2000 (including Manager – OK Tedi Liaison, and General Manager of a mine and a smelter complex). Over 20 of those years were spent in engineering roles for both open cut and underground coal mines throughout Australia and overseas. More recently, Michael has been involved in mineral exploration and project evaluation from Greenfields projects through to mature operations in a number of commodities. Michael also has experience in the development, financing and managing of projects for entities such as ASX listed Midwest Corporation Limited, holding the position of COO of Midwest between 2004 and 2006. Michael is currently a director of Meridian Minerals Limited, a position he has held for 3 years.

**Key advantages, disadvantages and risks of the Transaction**

The key advantages of the proposed transaction are:

- SPD will acquire a portfolio of quality coal exploration assets in Queensland, Australia and British Columbia, Canada;
- it provides SPD with exposure to thermal and coking markets;
- the coal assets consist of over 1,745km² of exploration areas in premier coal basins in Queensland and British Columbia; and
- SPD will broaden its investor base and significantly increase its market capitalisation.
The key disadvantages of the proposed transaction are:

- the resource estimates may not be met;
- SPD will cease to have an exposure to asset and wealth management businesses;
- SPD will assume the risks set out below.

**Timing of Transaction**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgement of prospectus with ASIC</td>
<td>23 September 2011</td>
</tr>
<tr>
<td>Opening date of prospectus offer</td>
<td>23 September 2011</td>
</tr>
<tr>
<td>Dispatch of notice of meeting and explanatory statement</td>
<td>30 September 2011</td>
</tr>
<tr>
<td>Suspension of SPD shares</td>
<td>31 October 2011</td>
</tr>
<tr>
<td>EGM</td>
<td>31 October 2011</td>
</tr>
<tr>
<td>Prospectus closing date</td>
<td>7 November 2011</td>
</tr>
<tr>
<td>Last day to register transfers on pre consolidation basis</td>
<td>9 November 2011</td>
</tr>
<tr>
<td>Issue of new shares</td>
<td>11 November 2011</td>
</tr>
<tr>
<td>Dispatch of holding statements</td>
<td>15 November 2011</td>
</tr>
<tr>
<td>Trading in SPD shares resume</td>
<td>18 November 2011</td>
</tr>
</tbody>
</table>

The dates shown in the table above are indicative only and may be varied.

**Consequences of the Transaction not proceeding**

If the proposed transaction does not proceed, SPD will return to its strategy of investing in securities of listed companies and in asset and wealth management businesses and looking for alternative investment proposals such as the one described in this Explanatory Statement.

**Material terms under the Share and Option Exchange Agreement**

The Share and Option Exchange Agreement is a conditional agreement between SPD, Saul Geological, the Optionholders and Resolve Coal under which SPD is entitled, subject to the conditions outlined below, to acquire all of the issued shares and employee options in Resolve Coal.

The Share and Option Exchange Agreement was originally executed on 4 July 2011, but was amended by two subsequent deeds of amendment on 12 August 2011 and 15 September 2011. For the purposes of the remainder of this Explanatory Statement, a reference to the Share and Option Exchange Agreement is a reference to the original agreement as amended by the subsequent deeds of amendment.

As at the date of this Notice of Meeting, Saul Geological does not hold shares in Resolve Coal, but a condition precedent in the Share and Option Exchange Agreement (outlined below) provides that all the shares in Resolve Coal be transferred by Resolve Geo to Saul Geological. Resolve Geo and Gordon Saul have informed the Company that such transfer will occur shortly, and in any event before completion of the Share and Option Exchange Agreement to satisfy the condition precedent and to enable Saul Geological to transfer the shares in Resolve Coal to the Company as intended under the Share and Option Exchange Agreement.
As consideration for all of the issued shares and employee options in Resolve Coal, SPD will issue to Saul Geological 64,100,633 ordinary shares and 23,309,321 performance shares in SPD at the same issue price in the prospectus, namely $0.60 per share (on a post consolidation basis), and will issue to the Optionholders a total of 27,566,034 employee options (without performance hurdle) and 10,024,013 employee options (with performance hurdle).

The performance shares convert to fully paid ordinary shares in SPD if SPD attains a JORC compliant inferred resource of at least 650 million tonnes of coal with respect of one or more of the exploration areas by 30 September 2014. The terms of the performance shares are set out under Resolution 4.

The employee options (without performance hurdle) will have a nil exercise price and will be exercisable for shares in SPD at any time between the date that is 18 months following issue and five years after that date, subject to certain rights of earlier exercise and to certain circumstances of earlier expiry.

The employee options (with performance hurdle) are on the same terms as the employee options (without performance hurdle) except that they are subject to a performance hurdle that they can only be exercised if SPD attains a JORC compliant inferred resource of at least 650 million tonnes of coal in respect of one or more of the Coal Assets by 30 September 2014, and that they are exercisable for shares in SPD at any time after the date that is the earlier of the date that is 24 months following issue if the performance hurdle has been achieved, an earlier date if there is a change in control if the performance hurdle has been achieved and the date the performance hurdle described above is achieved if it occurs after 24 months following issue but before 30 September 2014. The employee options (with performance hurdle) expire five years after 24 months following their issue, subject to certain events of early expiry (see Resolution 6).

The acquisition of the shares and employee options is subject to a number of conditions precedent which SPD and Saul Geological must satisfy before the sale and purchase can occur. These conditions precedent include:

(a) Saul Geological carrying out such due diligence investigations in relation to SPD as it considers necessary;

(b) SPD carrying out such due diligence investigations in relation to Resolve Coal and the Coal Assets as it considers necessary;

(c) Resolve Coal restructuring its asset, share and option holdings by:

   (1) completing the Asset Sale Agreement with Resolve Geo;

   (2) transferring the 111,302,007 ordinary shares and 40,473,457 performance shares in Resolve Coal held by Resolve Geo to Saul Geological; and

   (3) issuing 47,864,658 employee options (without performance hurdle) and 17,405,330 employee options (with performance hurdle) in Resolve Coal to the Optionholders under an employee share option plan;

(d) SPD undertaking a capital raising and raising a minimum amount of $15 million;

(e) SPD calling a general meeting of SPD shareholders to consider the resolutions set out in the Notice of Meeting and the passing of certain of those resolutions;

(f) SPD satisfying the requirements of Chapters 1 and 2 of the ASX Listing Rules and ASX approving the admission of the SPD ordinary shares issued to Saul Geological under the Share and Option Exchange Agreement to quotation on ASX; and
(g) the issued share capital of SPD being no more than 6,900,032 fully paid ordinary shares (post consolidation) plus the number of shares issued under the prospectus offer.

SPD, Saul Geological and the Optionholders may, by agreement, waive any of conditions (c) to (f). Conditions (a) and (g) can only be waived by Saul Geological and the Optionholders while condition (b) can only be waived by SPD.

If the conditions precedents are not satisfied or waived by 30 November 2011, except condition (a) which must be satisfied by 18 July 2011 and condition (b) which must be satisfied by 1 August 2011, the Share and Option Exchange Agreement will terminate on 1 December 2011, or, in the case of condition (a), 19 July 2011, or, in the case of condition (b), 2 August 2011. Conditions (a) and (b) were satisfied by their due date and all parts of condition (c) have been satisfied or waived.

Completion of the Share and Option Exchange Agreement is also conditional upon SPD entering into an agreement with Fisher Graham Group Pty Ltd ACN 100 550 650 for SPD to sell all of the issued capital it holds in Fisher Graham Wealth Pty Ltd ACN 123 969 219 and Fisher Graham Group repaying $620,000 to SPD in full satisfaction of the debts owed by Fisher Graham Wealth and its related bodies corporate to SPD (for more information on this agreement see the discussion in relation to Resolution 8). SPD has entered into such an agreement.

Until completion of the Share and Option Exchange Agreement, expected to be five business days after satisfaction of the conditions precedent or any other date agreed to in writing by the parties, Saul Geological must ensure that Resolve Coal:

(a) maintains the granted coal tenements in good standing;
(b) does not surrender or relinquish the Coal Assets;
(c) does everything required by the Share and Option Exchange Agreement, the Asset Sale Agreement, the Mineral Resources Act 1989 (Qld), the Coal Act, S.B.C. 2004, Ch 15 (Canada) or other laws;
(d) complies with all laws affecting the Coal Assets;
(e) pays all taxes, fees, work commitments and other payments due and owing in relation to the Coal Assets;
(f) does not enter into any arrangements regarding the Coal Assets without SPD's consent, such consent not to be unreasonably withheld; and
(g) does not dispose of, grant or purport to grant an encumbrance, security interest or option over any of the Coal Assets, or agree to do so, without SPD's consent.

Until completion, SPD must ensure that it does not, unless necessary to ensure the conditions precedent are satisfied as soon as possible, or with the written consent of Saul Geological:

(a) alter its capital structure in any way;
(b) make any distributions to its shareholders;
(c) alter its constitution or pass any shareholders' resolution;
(d) dispose of or agree to dispose of any assets valued at over $50,000 (except its interest in listed ASX companies or unlisted managed funds that invest in ASX listed companies);
(e) acquire, or agree to acquire, any asset valued at over $50,000;

(f) borrow or lend any money or any kind or incur any liability or commitment of more than $25,000 for a duration more than one month, or a lesser amount or shorter period;

(g) encumber any assets;

(h) pay any money from a bank account, except in the ordinary course of carrying on its business where the amount is no more than $150,000, except for transfers between bank accounts of SPD and related bodies corporate;

(i) engage or dismiss any employee, contractor or officer or enter into or vary any contract with an officer or contractor or enter into any other contract valued at over $50,000; or

(j) commence any legal or similar proceedings except for recovery of unpaid trade creditors.

Until completion, Saul Geological and the Optionholders must ensure that they do not, without the written consent of SPD, deal with the shares or options to be acquired by SPD at completion, or act contrary to a warranty given to SPD.

Upon completion, SPD must:

(a) approve and issue the 64,100,633 ordinary shares and 23,309,321 performance shares in SPD to Saul Geological and issue the 27,566,034 employee options (without performance hurdle) and 10,024,013 employee options (with performance hurdle) in SPD under an employee share option plan to the Optionholders;

(b) cause Gordon Saul, and two nominees to be advised by Gordon Saul, to be appointed as directors of SPD;

(c) if section 124-728 of the Income Tax Assessment Act 1997 applies to Saul Geological or an Optionholder, provide a fully signed notice of choice to Saul Geological or the relevant Optionholder as applicable; and

(d) accept all documentation given to SPD by Saul Geological and the Optionholders in relation to share and option certificates, corporate, financial and other records of Resolve Coal.

Upon completion, Saul Geological must transfer its 111,302,007 ordinary shares and 40,473,457 performance shares in Resolve Coal to SPD and the Optionholders must transfer the 47,864,658 employee options (without performance hurdle) and 17,405,330 employee options (with performance hurdle) in Resolve Coal to SPD. SPD is liable to pay all stamp duty assessable under the Share and Option Exchange Agreement.

SPD, Saul Geological and the Optionholders have given a number of warranties for the benefit of each other under the Share and Option Exchange Agreement including:

(a) if the party is a company, it is a company limited by shares and it is duly incorporated;

(b) it is not insolvent or subject to a personal insolvency arrangement and has not had any receivers, managers or liquidators appointed;

(c) it has power and authority to enter into the Share and Option Exchange Agreement and the Share and Option Exchange Agreement is binding on it; and

(d) it is able to perform its obligations under the Share and Option Exchange Agreement.
Saul Geological and the Optionholders have given the following warranties for the benefit of SPD under the Share and Option Exchange Agreement:

(a) the 111,302,007 ordinary shares and 40,473,457 performance shares in Resolve Coal are fully paid;

(b) no person has any undisclosed rights to be issued shares in, or rights or options in or has any securities that are convertible to shares in Resolve Coal;

(c) they have legal and beneficial ownership of their respective shares and employee options free and clear of all encumbrances; and

(d) on completion SPD will own all of the issued capital and rights to be issued capital in Resolve Coal.

Saul Geological has given a number of warranties in relation to Resolve Coal for the benefit of SPD under the Share and Option Exchange Agreement, including:

(a) Resolve Coal is duly incorporated, is not insolvent and has power and authority to enter into the Share and Option Exchange Agreement;

(b) Resolve Coal has good title to the granted Queensland tenements, free and clear of all encumbrances;

(c) Resolve Coal has, to the best of Saul Geological's knowledge, complied with all laws affecting the Coal Assets;

(d) Resolve Coal has, to the best of Saul Geological's knowledge, not done, or omitted to do, anything that may result in a cancellation of any of the Coal Assets or diminish their value;

(e) there is no subsisting litigation or proceedings or any disputes or claims likely to give rise to such litigation or proceedings affecting the Coal Assets;

(f) Resolve Coal has made all material data and information in its possession relating to the Coal Assets available to SPD and has not knowingly omitted from such data and information anything material to the Coal Assets;

(g) Resolve Coal owns or has enforceable rights to use all intellectual property acquired from Resolve Geo under the Asset Sale Agreement;

(h) each item of plant and equipment held by Resolve Coal is in good standing and good repair;

(i) Resolve Coal and Saul Geological have or will disclose all material contracts to which Resolve Coal is a party and documents relating to material contracts, and Resolve Coal does not know of any circumstance likely to give rise to a material default under a material contract;

(j) Resolve Coal has disclosed to SPD all material information about the Coal Assets and its business and all such information given is true complete and not misleading;

(k) each employee of Resolve Coal is employed solely by Resolve Coal and Saul Geological does not know of any circumstance that may give rise to a dispute between Resolve Coal and its employees; and

(l) Resolve Coal has complied with all taxation laws.
Until completion, Saul Geological is under an obligation to immediately notify SPD in writing of any circumstances having, or reasonably likely to have, a material adverse effect on any of the Coal Assets, any breach of warranty given by Saul Geological or the Optionholders of which Saul Geological is, or becomes aware and any circumstance reasonably likely to require substantial capital expenditure in relation to any of the Coal Assets.

Until Completion, SPD is under an obligation to immediately notify Saul Geological in writing of any breach of warranty given by SPD of which SPD is or becomes aware.

Neither SPD, Saul Geological nor any of the Optionholders will be liable for any breach of warranty unless they are given written notice of the claim for breach of warranty within 12 months of completion of the Share and Option Exchange Agreement or legal proceedings are commenced within 12 months of the claim being notified to the relevant party. SPD must not make a claim against Saul Geological or the Optionholders, and Saul Geological and the Optionholders must not make a claim against SPD, for breach of warranty for an amount of loss less than $500,000.

The maximum amount for which Saul Geological may be liable to SPD and for which SPD may be liable to Saul Geological and the Optionholders for a breach of warranty is $33 million. The maximum amount for which an option holder may be liable to SPD for a breach of warranty is 50% of the market value of the option holder’s employee options.

Subject to the above and other limits on claims and acknowledgements by the parties (such as the parties having made and relied on searches investigations and enquiries on each other and the parties cannot make a claim in relation to a matter which should have been uncovered or discovered by such searches undertaken), SPD must indemnify Saul Geological and the Optionholders, and Saul Geological and the Optionholders must indemnify SPD, for any loss, damage or liability arising in connection with:

(a) a breach of the Share and Option Exchange Agreement;
(b) a breach of warranty; or
(c) any information or data provided by or on behalf of the party in connection with the Share and Option Exchange Agreement which is incomplete, inaccurate, false or misleading.

Material terms under the Asset Sale Agreement

The Asset Sale Agreement is an agreement between Resolve Coal and Resolve Geo under which Resolve Geo agrees to sell and assign, and Resolve Coal agrees to buy and take assignment from Resolve Geo of, the following assets:

(a) five coal exploration permits in Queensland; and
(b) applications for three further coal exploration permits in Queensland, along with the coal exploration permits upon those applications being granted,

(together the Sale Assets).

Completion of the Asset Sale Agreement occurred on 4 July 2011 upon which date Resolve Geo gave to Resolve Coal:

(a) absolute ownership of the Sale Assets, subject only to the transfers receiving the necessary ministerial approvals;
(b) signed releases of each interest of any third party interest affecting the Sale Assets;
(c) the documentation required to transfer the Sale Assets to Resolve Coal including the documents required to stamp and register the transfer of the Sale Assets to Resolve Coal and a letter seeking ministerial approval in relation to the granted tenements; and

(d) all title documents and records held by Resolve Geo necessary to vest full ownership, title and possession of the Sale Assets in Resolve Coal.

In consideration for the assignment of the Sale Assets, Resolve Coal issued 111,302,006 ordinary shares and 40,473,457 performance shares in Resolve Coal to Resolve Geo.

Under the Share and Option Exchange Agreement, it is a condition precedent that these shares in Resolve Coal be transferred from Resolve Geo to Saul Geological (please refer to the above summary of the Share and Option Exchange Agreement).

Resolve lodged the documentation on 5 July 2011 required to transfer the granted tenements from Resolve Geo to Resolve Coal. Pending the transfer being approved, Resolve Geo must not deal with the granted tenements without the consent of Resolve Coal and must take all action as registered holder of granted tenements as Resolve Coal directs.

As tenement applications cannot be transferred under the Mineral Resources Act 1989 (Qld) following completion, Resolve Geo is holding the tenement applications on trust for Resolve Coal. Resolve Geo has agreed to continue working towards and do all things necessary to obtain the grant of these tenement applications. Resolve Geo has also agreed not to deal with the tenement applications during this time without the consent of Resolve Coal, to take all action as applicant under the tenement applications as Resolve Coal directs and also to immediately notify Resolve Coal of any correspondence received in relation to the tenement applications.

Immediately upon the grant of the tenement applications, Resolve Geo must do all things necessary to effect the transfer of each such tenement to Resolve Coal.

In the event that Resolve Geo breaches any of the above obligations, Resolve Coal and Resolve Geo have agreed that Resolve Coal will be entitled to specific performance of Resolve Geo’s obligations as well as any other remedies available at law or in equity.

At completion Resolve Geo also assigned the benefit of all contracts relating to the Sale Assets to Resolve Coal and Resolve Coal accepted the assignment and assumed the obligations of Resolve Geo under those contracts. Resolve Coal has also agreed to offer all employees of Resolve Geo employment from completion on substantially the same terms as their employment with Resolve Geo.

Resolve Geo and Resolve Coal have given a number of warranties for the benefit of each other under the Asset Sale Agreement including:

(a) it is a company limited by shares and it is duly incorporated;

(b) it is not insolvent or subject to a personal insolvency arrangement and has not had any receivers, managers or liquidators appointed;

(c) it has power and authority to enter into the Asset Sale Agreement and the Asset Sale Agreement is binding on it; and

(d) it is able to perform its obligations under the Asset Sale Agreement.

Resolve Geo has given a number of specific warranties for the benefit of Resolve Coal under the Asset Sale Agreement, including:
(a) it is duly incorporated, is not insolvent and has power and authority to enter into the Asset Agreement;

(b) it has good title to the granted tenements free and clear of all encumbrances;

(c) it has, to the best of Resolve Geo's knowledge, complied with all laws affecting the Sale Assets;

(d) it has, to the best of Resolve Geo's knowledge, not done, or omitted to do, anything that may result in a cancellation of any of the Sale Assets or a diminishing of their value;

(e) there is no subsisting litigation or proceedings or any disputes or claims likely to give rise to such litigation or proceedings affecting the Sale Assets;

(f) it has made all material data and information in its possession relating to the Sale Assets available to Resolve Coal and has not knowingly omitted from such data and information anything material to the Sale Assets;

(g) it owns or has enforceable rights to use all intellectual property to be assigned to Resolve Coal;

(h) each item of plant and equipment held by Resolve Geo is in good standing and good repair;

(i) it has or will disclose all material contracts to which Resolve Geo is a party and all documents relating to material contracts and Resolve Geo does not know of any circumstance likely to give rise to a material default under a material contract;

(j) it has disclosed to Resolve Coal all material information about the Sale Assets and its business and all such information given is true complete and not misleading; and

(k) each employee of Resolve Geo is employed solely by Resolve Geo and Resolve Geo does not know of any circumstance that may give rise to a dispute between Resolve Geo and its employees.

Resolve Geo will not be liable for any breach of warranty unless Resolve Geo is given notice of the claim for breach of warranty within 12 months of completion of the Asset Sale Agreement or legal proceedings are commenced within 12 months of the notification of the claim. Resolve Coal must not make a claim against Resolve Geo for breach of warranty for an amount of loss less than $500,000. The maximum amount for which Resolve Geo may be liable to Resolve Coal for a breach of warranty is $33 million.

Risks

Shareholders should be aware that SPD will be subject to a number of risks if the proposed transaction is completed. Given that SPD will change its activities to a resource exploration company, a number of the risk factors are new to SPD.

If the proposed transaction is completed, some of the material risk factors include:

(a) **Exploration and development:** by its nature the exploration and development of a resource project is a high risk undertaking with no assurance of the economic exploration of mineral resources.

(b) **Tenure rights:** rights to the granted tenements carry with them various obligations with regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a
given area. A number of the coal tenements are still applications and there is no assurance that the tenement applications will be granted.

(c) **Material agreement completion**: the Company has contracted under the Share and Option Exchange Agreement to acquire, amongst other things, all the shares in Resolve Coal from Saul Geological but all the shares in Resolve Coal are currently held by Resolve Geo. A condition precedent in the Share and Option Exchange Agreement provides that those shares in Resolve Coal are to be transferred by Resolve Geo to Saul Geological. There is a risk that if such transfer does not occur the condition precedent is not satisfied and SPD would not acquire the shares in Resolve Coal, and the Share and Options Exchange Agreement would not be completed.

(d) **Additional funding requirements**: additional funding may be required to complete SPD's drilling and work programs and there is no guarantee that such funding will be available. If such funding is not obtained, SPD would be unable to proceed with the development of the Coal Assets.

(e) **Infrastructure access**: if SPD progresses any of the Coal Assets towards production, it will require access to power and water infrastructure, and if it reaches production, will require access to road, rail or sea transportation. There is a risk that access to such infrastructure or transportation will not be available on an economic basis, or at all.

(f) **Coal quality**: coal quality varies and if any coal produced from the Coal Assets is of a quality lower than anticipated, SPD's prospects, value and financial operations may be materially adversely affected.

(g) **Environmental risks**: environmental laws and regulations and any changes to such laws may directly impact on the exploration and development activities of SPD.

(h) **Adverse weather conditions**: adverse weather conditions and natural disasters such as flood, drought, earthquake, tornado or hurricane may have an adverse impact on SPD's operations.

(i) **Operations**: SPD's exploration and development activities may be affected by unforeseen operational failures, technical difficulties, industrial and environmental accidents and other force majeure events that may also affect SPD's operations.

(j) **Commodity price fluctuations**: an adverse fall in the price of commodities, including coal, may adversely impact on SPD's exploration and development activities.

(k) **Commercialisation**: if SPD discovers commercial quantities of coal and is able to produce or recover commercial quantities of such coal, there is no guarantee that SPD will be able to achieve a commercial return on the quantities discovered or produced.

(l) **Financing**: there is no assurance that future funding will be available to SPD to further develop SPD's assets and depending on further exploration success, significant further development funding may be required.

(m) **Insurance**: there is no assurance that SPD will be able to obtain insurance coverage at reasonable rates or that any coverage will be adequate and available to cover any claims that may arise.

(n) **Management**: in the loss of a key executive may, depending on the quality of the replacement, adversely impact on SPD's operations.
Land access: native title, Aboriginal or treaty rights and other similar land access claims may affect SPD’s ability to access land for exploration and development purposes.

Regulatory approvals: SPD will require government regulatory approvals for its operations and must comply with those approvals and other applicable laws, regulations and policies. This may from time to time affect timing and scope of work to be undertaken.

Strategic cropping land: legislation announced by the Queensland Government will affect the Jeffries Creek and Gindie tenements, with the requirements to "make good" land impacts within 50 years, and the requirement to only effect underground mining by utilising Bord and Pillar methods, having been factored into the planning for these projects.

Resource estimates: resource estimates are expressions of judgment which are imprecise and may change significantly.

Contractors: the contractors and consultants engaged by SPD may experience insolvency or other managerial failure leading to further cost and delay as SPD appoints alternative contractors.

Potential acquisitions: as part of its business strategy, SPD may make acquisitions of significant investments in complementary companies, projects or assets. Any such future transactions would be accompanied by the risks commonly encountered in making such acquisitions.

Competition: There is no assurance that SPD can compete effectively with other coal exploration and development companies.

Litigation: SPD is presently not involved in litigation and the board is not aware of any basis on which any litigation against SPD may arise. However, there is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.

Third parties: various aspects of SPD’s future performance and profitability are dependent on negotiations or attitudes of third parties. Depending on the outcomes of these negotiations or discussions, SPD’s performance and operations may be affected.

Mineral Resource Rent Tax: It is possible that the proposed mineral resource rent tax and future tax policy changes will adversely affect SPD and its operations.

Carbon Tax: It is possible that the proposed carbon tax, planned to be introduced from 1 July 2012 may make the price of coal less competitive and thus adversely affect SPD and its operations.

If the proposed transaction is completed, SPD and its shareholders will also continue to face the following general business and investment risks:

General investment risks: the price of SPD shares may rise or fall depending on a range of factors beyond SPD’s control and which are unrelated to SPD’s financial performance.

Possible volatility of share price: the market price of shares can fall as a result of a number of varied and unpredictable influences.

Government policy: changes in government policies, laws and other actions may have an adverse impact on the outlook for companies and investors.

Changes to accounting policies: changes to accounting standards and policies may have an adverse impact on SPD’s future reported financial results.
(e) **War and terrorist attacks**: the outbreak of war or occurrence of terrorist attacks anywhere in the world could result in a decline in the economic environment in which SPD will operate and thus have an adverse impact on SPD’s operations, financial performance, share price and the ability of SPD to raise any required future funding.

**Directors’ recommendations**

The proposed transaction constitutes a significant change in the nature and scale of activities undertaken by SPD. The proposed restructure will position SPD with exploration tenements prospective for coal. The funds raised will allow SPD to conduct an initial phase of exploration and evaluation. The proposed new Board has a blend of commercial, financial and technical expertise that will allow SPD the opportunity to fully evaluate the Coal Assets and take advantage of opportunities that may arise in the future.

The current board of SPD, Stephen Sedgman, John Walker and Andrew Kroger, are independent of Saul Geological, the vendor of the issued capital of Resolve Coal. The current directors consider that the proposed transaction is in the best interests of SPD. Each director recommends that shareholders vote in favour of all Resolutions (except that Messrs Sedgman and Walker do not make any recommendation in relation to Resolutions 8 and 9 as they have an interest in the outcome of those Resolutions and Mr Kroger does not make any recommendation in relation to Resolution 8 as he has an interest in the outcome of that Resolution).

Each of the directors intends to vote their shares or cause shares held by their associates in favour of each of the Resolutions (except that Messrs Sedgman and Walker will not cause Fisher Graham Group Pty Ltd to vote on Resolutions 8 and 9 and Mr Kroger will not vote in relation to Resolution 8).
Resolution 1 – Approval for change in nature and scale of activities

The proposed acquisition of the issued capital and employee options of Resolve Coal, as outlined in this Explanatory Statement, is a significant change in the nature and scale of SPD’s activities. In accordance with the ASX Listing Rules, Resolution 1 seeks approval from SPD shareholders for this significant change in the nature and scale of SPD’s activities.

ASX Listing Rule 11.1

ASX Listing Rule 11.1 requires that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of shareholders and must comply with any requirements of ASX in relation to the notice of meeting. ASX Listing Rule 11.1.3 provides that, if ASX requires, the entity must meet the re-listing requirements of Chapters 1 and 2.

ASX requires SPD to seek shareholder approval for the purposes of ASX Listing Rule 11.1 to make a significant change to the nature and scale of its activities by acquiring all of the issued capital and employee options of Resolve Coal, and ASX has determined that compliance with the re-listing requirements in Chapters 1 and 2 will be required.

As part of the re-listing process, trading in SPD shares will be suspended from the day of the shareholders’ meeting (assuming Resolution 1 is passed) until ASX is satisfied that the requirements in Chapters 1 and 2 of the ASX Listing Rules have been met. Some of the requirements of Chapters 1 and 2 of the ASX Listing Rules are as follows:

(a) a prospectus must be issued and lodged with ASIC;
(b) SPD must satisfy the shareholder spread requirements relating to the minimum number of shareholders in SPD and the minimum value of the shareholdings of those shareholders;
(c) SPD must satisfy the "profits test" or the "assets test" as set out in Listing Rule 1.3; and
(d) the issue price of SPD’s shares must be at least 20 cents.

A further requirement is that the exercise price of options must be at least 20 cents. As the employee options to be issued to the Optionholders have a nil exercise price, the Company has applied to ASX for a waiver of this requirement.

In order to meet the re-listing requirements, SPD will be issuing a prospectus for the issue of SPD shares (see Resolution 7) and is proposing a consolidation of capital (see Resolution 2). SPD has appointed Bell Potter Securities Ltd as lead manager/broker to manage the capital raising. The Company has agreed to pay a 4.5% selling fee on the amount raised by Bell Potter Securities Limited under the Offer and to grant options over shares of the Company equivalent to 1.75% of the Company’s non performance based diluted capital base following the capital raising, and to grant performance options over shares of the Company equivalent to 1.75% of its performance securities that are subject to the same performance hurdle as those performance securities.

Pro forma balance sheet and capital structure table

The impact on the proposed transaction on SPD is illustrated by the historical balance sheet and pro forma balance sheets of SPD as at 30 June 2011, which assume completion of the transaction and completion of the prospectus offer at minimum and maximum subscriptions.
Introduction

This section contains a summary of the historical and pro forma financial information regarding SPD, Resolve Coal and the pro forma Group (being the combined SPD and Resolve Coal) assuming completion of the Share and Option Exchange Agreement and the capital raising. The financial information should be read in conjunction with the summary of significant accounting policies below and other information contained in this Explanatory Statement.

The historical and pro forma financial information in this section comprises:

- the audited balance sheet of SPD as a single entity as at 30 June 2011;
- the unaudited balance sheet of Resolve Coal as at 4 July 2011. The 30 June 2011 balance sheet disclosed $1 capital and $1 cash and the 4 July 2011 balance sheet discloses Resolve Coal’s financial position following completion of the Asset Sale Agreement with Resolve Geo Pty Ltd in which it acquired various coal interests together with plant and equipment and employee liabilities;
- pro forma balance sheets of the combined Group (SPD and Resolve Coal) based on the audited balance sheet of SPD at 30 June 2011 and the unaudited balance sheet of Resolve Coal at 4 July 2011, adjusted to include the acquisition of Resolve Coal, capital raised (both minimum subscription and maximum subscription) and other adjustments as summarised below at note (a).

The financial information has been prepared in accordance with the measurement and recognition principles of the applicable Accounting Standards and other mandatory professional reporting requirements in Australia. It is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports that are prepared in accordance with the Corporations Act.

Actual and Pro forma Balance Sheets

The audited balance sheet of SPD at 30 June 2011 and the unaudited balance sheet of Resolve Coal at 4 July 2011 and the pro forma balance sheets of the combined Group (SPD and Resolve Coal) are set out below. The pro forma balance sheets are presented on the basis of both Minimum Subscription and Maximum Subscription and assume completion of the Share and Option Exchange Agreement and certain other transactions referred to in this Explanatory Statement. Selected notes supporting this information are also included below.
### Notes to Actual and Pro Forma Balance Sheets

#### (a) Pro forma Adjustments

The following adjustments have been made to present the pro forma balance sheets of the combined Group (SPD and Resolve Coal), assuming both minimum subscription of $15 million and maximum subscription of $20 million, to reflect the impact as if the transactions outlined below had taken place:

1. **Share consolidation** – The restructure of SPD’s share capital by way of a consolidation of the issued capital on a 1 for 5 basis. This transaction has no impact on the pro forma balance sheets.

2. **Realisation of SPD’s investments and receivables** – SPD holds minority investments in two ASX listed companies and an unlisted investment trust, and a 70% interest in a private company (FGW). The investment in FGW is to be sold in accordance with the FGW Disposal Deed for $1 consideration plus payment of $620,000 in full satisfaction of all debts owed by FGW and its related bodies corporate to SPD. For pro forma purposes, recovery of the loan receivable is assumed to have occurred. The Directors intend to realise the other investments ($1,278,000) before completion of the Share and Option Exchange Agreement.

---

### Table: Actual and Pro forma Group Balance Sheets

<table>
<thead>
<tr>
<th>Notes</th>
<th>Actual</th>
<th>Pro forma Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 Jun 11</td>
<td>4 Jul 11</td>
</tr>
<tr>
<td></td>
<td>(Audited)</td>
<td>(Unaudited)</td>
</tr>
<tr>
<td>$'000</td>
<td>SPD</td>
<td>Resolve Coal</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cash &amp; cash equivalents</td>
<td>(b)</td>
<td>2,131</td>
</tr>
<tr>
<td>- Receivables</td>
<td>(a)(2)</td>
<td>636</td>
</tr>
<tr>
<td>- Investments</td>
<td>(a)(2)</td>
<td>1,278</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,045</td>
</tr>
<tr>
<td><strong>Non Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Plant &amp; equipment</td>
<td>-</td>
<td>454</td>
</tr>
<tr>
<td>- Exploration expenditure</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,045</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Trade &amp; other payables</td>
<td>180</td>
<td>-</td>
</tr>
<tr>
<td>- Provision – employee benefits</td>
<td>44</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td></td>
<td>224</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,821</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Contributed equity</td>
<td>(c)</td>
<td>5,472</td>
</tr>
<tr>
<td>- Options reserve</td>
<td>(d)</td>
<td>-</td>
</tr>
<tr>
<td>- Accumulated losses</td>
<td>(c)(3)</td>
<td>(1,651)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,821</td>
</tr>
</tbody>
</table>
(3) **Acquisition of Resolve Coal** – The acquisition of Resolve Coal by the issue of 64,100,633 ordinary shares and 23,309,321 performance shares in SPD and the granting of 27,566,034 employee options (without performance hurdle) and 10,024,013 employee options (with performance hurdle) in SPD to Optionholders in accordance with the Share and Option Exchange Agreement.

For accounting purposes, the acquirer has been identified as Resolve Coal and the business combination referred to as a reverse acquisition (see summary of significant accounting policies below). Accordingly, the pro forma Group incorporates the assets and liabilities of SPD and of Resolve Coal as if the Group was headed by Resolve Coal. At acquisition date the assets and liabilities of Resolve Coal (being the acquirer for accounting purposes) are recorded at their book value and the assets and liabilities of SPD (being the acquiree for accounting purposes) are recorded at fair value (see also note (3) under Notes – Contributed Equity below). Furthermore, for pro forma purposes, the 27,566,034 employee options (without performance hurdle) and the employee options (with performance hurdle) in SPD have been treated as part of the purchase price of Resolve Coal (see also Notes – Contributed Equity below).

(4) **Shares issued under the Offer for New Shares** – The issue of 25,000,000 New Shares in SPD at 60 cents each to raise $15 million (the minimum subscription) or up to a maximum of 33,333,333 New Shares at 60 cents each to raise $20 million (the maximum subscription).

(5) **Cost associated with the Offer** – Estimated costs associated with the capital raising and the acquisition of Resolve Coal are assumed to have been paid. Equity transaction costs include estimated cash payments of $1,010,000 (at the minimum subscription) or $1,260,000 (at the maximum subscription), plus $741,000 at the minimum subscription or $781,000 at the maximum subscription, being the estimated fair value of 2,745,750 options (at the minimum subscription) or 2,891,584 options (at the maximum subscription) granted to Bell Potter as part of the capital raising mandate (see Share Based Payments at (d) below).

(6) **Costs associated with the acquisition of Resolve Coal** – SPD had incurred costs of $130,000 at 30 June 2011 in respect of the acquisition of Resolve Coal which have already been expensed. The Directors estimate further costs of $170,000 for due diligence, preparation of the explanatory memorandum, etc. For pro forma purposes these additional costs are assumed to have been incurred and expensed in the pro forma Group balance sheets.
(b) **Cash and Cash Equivalents**

The movement in cash as reflected in the pro forma balance sheets at 30 June 2011 is shown as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Minimum Subscription</th>
<th>Maximum Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Cash at 30 June 2011 - Actual</td>
<td>2,131</td>
<td>2,131</td>
</tr>
<tr>
<td>Pro Forma adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Realisation of investments &amp; receivables</td>
<td>(2)</td>
<td>1,898</td>
</tr>
<tr>
<td>- Proceeds from issue of New Shares</td>
<td>(4)</td>
<td>15,000</td>
</tr>
<tr>
<td>- Payment for costs associated with the Offer</td>
<td>(5)</td>
<td>(1,010)</td>
</tr>
<tr>
<td>- Payment of costs associated with the acquisition of Resolve Coal</td>
<td>(6)</td>
<td>(170)</td>
</tr>
<tr>
<td>17,849</td>
<td>22,599</td>
<td></td>
</tr>
</tbody>
</table>

(c) **Contributed Equity**

The movement in contributed equity as reflected in the pro forma balance sheets at 30 June 2011 is shown below:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Issued Shares</th>
<th>Options over Shares (4)</th>
<th>Group $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ordinary ('000)</td>
<td>Performance ('000)</td>
<td>Ordinary ('000)</td>
</tr>
<tr>
<td>Actual – 30 June 2011 - SPD</td>
<td>(c)(1)</td>
<td>34,500</td>
<td>-</td>
</tr>
<tr>
<td>- Share reconstruction</td>
<td>(c)(1)</td>
<td>6,900</td>
<td>-</td>
</tr>
<tr>
<td>- Resolve Coal</td>
<td>(c)(2)(3)(4)</td>
<td>64,101</td>
<td>23,309</td>
</tr>
<tr>
<td>- Reverse acquisition – SPD</td>
<td>(c)(5)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Minimum Offer</td>
<td></td>
<td>25,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Transaction costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- cash</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- options</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Minimum Subscription</strong></td>
<td></td>
<td>96,001</td>
<td>23,309</td>
</tr>
<tr>
<td>- Oversubscriptions</td>
<td></td>
<td>8,333</td>
<td>-</td>
</tr>
<tr>
<td><strong>Transaction costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- cash</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- options</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maximum Subscription</strong></td>
<td></td>
<td>104,334</td>
<td>23,309</td>
</tr>
</tbody>
</table>
Notes – Contributed Equity

(1) SPD Issued Capital – As at 30 June 2011, SPD had on issue 34.5 million fully paid ordinary shares. The shares are to be consolidated on a 1 for 5 basis, resulting in SPD having 6.9 million shares on issue immediately prior to the acquisition of Resolve Coal.

(2) Resolve Coal – SPD is to acquire Resolve Coal in exchange for the issue of 64,100,633 ordinary shares and 23,309,321 performance shares and the granting of 27,566,034 employee options and 10,024,013 employee performance options. The acquisition has been accounted for as a reverse acquisition in accordance with AASB3 “Business Combinations” – see (5) below.

(3) Performance Shares – each performance share will convert into one ordinary share upon Resolve Coal attaining a JORC compliant inferred resource of at least 650 million tonnes of coal in respect of one or more of the Coal Assets on or before 30 September 2014. If the milestone is not achieved by that date, all of the performance shares held by each holder will automatically convert into one ordinary share (in total).

(4) Options – options over ordinary shares relate to both employee options and the Bell Potter options.

The employee options (with no performance hurdle) have a nil exercise price and are exercisable between the date that is 18 months following issue (or an earlier date of there is a change in control event) and five years after that date subject to the employee being employed by Resolve Coal at the time of exercise. The employee options (without performance hurdle) are considered to form part of the purchase price of Resolve Coal.

Employee options granted to the optionholders are also considered as part of the purchase price of Resolve Coal and have the same terms and conditions as the employee options (without performance hurdle) except that they have a performance hurdle and are exercisable after the date that is the earlier of the date that is 24 months following issue if the performance hurdle has been achieved, an earlier date if there is a change in control if the performance hurdle has been achieved and the date the performance hurdle is achieved if it occurs after 24 months following issue, but before 30 September 2014. The employee options (with performance hurdle) expire five years after 24 months following issue.

Performance options granted to Bell Potter have the same terms and conditions as the other options granted to Bell Potter (but with the addition of the performance hurdle).

(5) Reverse acquisition – SPD – The pro forma adjustment reflects the deemed issue of shares to acquire SPD. The fair value of SPD’s net assets at 30 June 2011, per the audited balance sheet, was $3,821,000 and the fair value of the deemed consideration was assessed at $4,140,000 (being the issue of 6,900,000 shares at 60 cents each). The difference between the deemed purchase price ($4,140,000) and fair value of the net assets acquired ($3,821,000) represents the cost to Resolve Coal of the listing status. This amount ($319,000) has been written off in the pro forma Group financial statements as it does not qualify for recognition as an intangible asset.
(d) **Share Based Payments**

Details of the options to be granted to Bell Potter are summarised below. The fair value of the options granted to Bell Potter has been included in the pro forma adjustments as a cost associated with the Offer (see note (5) under Pro Forma Adjustments), together with a corresponding option reserve.

<table>
<thead>
<tr>
<th>Option Type</th>
<th>Grant Date</th>
<th>Vesting Date</th>
<th>Expiry Date</th>
<th>Exercise Price</th>
<th>Estimated Value per Option</th>
<th>No. of Options Granted Minimum Subscription</th>
<th>No. of Options Granted Maximum Subscription</th>
</tr>
</thead>
</table>

The fair value at grant date was estimated using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant and expected price volatility of the underlying share and the risk-free interest rate for the term of the option. For the purpose of this exercise, the fair value of the performance options is assumed to equate to the fair value of the options without any performance hurdle.

The model inputs for options granted included:

- expected price volatility of SPD’s shares (post acquisition): 80%;
- expected dividend yield: 0%;
- risk free interest rate: 4.42%.

The expected price volatility is based on the historical volatility of similar listed companies (in coal exploration) and the remaining life of the options, adjusted for any expected changes to future volatility due to publicly available information.

**Summary of significant accounting policies**

The significant accounting policies that have been adopted in the preparation of the financial information are summarised below.

(a) **Basis of preparation**

The financial information has been prepared in accordance with the recognition and measurement (but not all the disclosure) requirements of applicable Australian Accounting Standards and other mandatory financial reporting requirements in Australia, using the accrual basis of accounting including the historical cost convention and the going concern assumption.

The financial information is presented in Australian dollars.

As noted the financial information has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.
Principles of consolidation and reverse acquisition accounting

The purchase method of accounting is used to account for business combinations (acquisitions). Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

For all business combinations an acquirer is identified as the entity that obtains control of the combining entities. The acquirer for accounting purposes need not be the legal parent entity. In certain situations, the subsidiary can be the acquirer where the relevant factors include that its shareholders (pre-acquisition) have control post-acquisition. This is referred to as a reverse acquisition. The Group has identified a reverse acquisition, such that SPD is the legal parent entity of the Group and presents consolidated financial information but Resolve Coal, which is a legal subsidiary of SPD, is deemed to be the accounting parent of the Group.

Accordingly, the pro forma Group financial information incorporates the assets and liabilities of SPD and Resolve Coal as if the Group were headed by Resolve Coal. At acquisition date, the assets and liabilities of SPD (the acquiree for accounting purposes) are recorded at fair value while assets and liabilities of Resolve Coal (the acquirer for accounting purposes) are recorded at their book value.

Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated using the straight-line method to allocate the costs of property, plant and equipment, net of their residual values, over their estimated useful lives.

Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value is use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.
(f) Employee Benefits – provision

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Capital structure and net assets table

The share capital structure of SPD following completion of the transaction (assuming minimum subscription and assuming maximum subscription under the prospectus offer) would be as follows:

<table>
<thead>
<tr>
<th></th>
<th>Before proposed transactions</th>
<th>After proposed transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(pre-consolidation of capital)</td>
<td>(post-consolidation of capital)</td>
</tr>
<tr>
<td>Number of shares on issue (including both ordinary and performance shares)</td>
<td>34,500,158</td>
<td>6,900,032</td>
</tr>
<tr>
<td>Number of employee options on issue (including options with and without performance hurdle)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Number of Bell Potter options on issue (including options with and without performance hurdle)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

* assuming all performance shares are converted
Resolution 2 – Consolidation of capital

To implement a more appropriate capital structure for SPD going forward and to enable SPD to satisfy Chapters 1 and 2 of the ASX Listing Rules, in particular ASX Listing Rule 1.1 condition 11, and to obtain re quotation of its shares on ASX, the Company proposes to consolidate its share capital. Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number. Resolution 2 seeks shareholder approval to consolidate the number of shares on issue on a one for five basis (Consolidation). The Consolidation is subject to the passing of Resolution 1, 3, 4, 5, 6 and 7. ASX Listing Rule 7.20 requires that a company that proposes to reorganise its capital must provide shareholders with certain information. That information is below. Please refer to the section of the Explanatory Statement in relation to Resolution 1 for additional information.

Effect on capital structure

The effect of the Consolidation on the capital structure of SPD is set out in the table under the heading "Capital structure and net assets table" in the section of this Explanatory Statement in relation to Resolution 1.

Fractional entitlements and taxation

Not all shareholders will hold a number of shares that can be divided by five without resulting in a fraction. Where a fractional entitlement occurs, the directors will round that fraction up to the nearest whole share.

It is not considered that any taxation implications will exist for shareholders arising from the Consolidation. However, shareholders are advised to seek their own tax advice on the effect of the Consolidation and neither SPD nor the directors (nor SPD’s advisors) accepts any responsibility for the individual taxation implications arising from the Consolidation.

Holding statements

From the date of the Consolidation expected to be on 10 November 2011, all holding statements for shares will cease to have any effect, except as evidence of entitlement to a certain number of shares on a post Consolidation basis. After the Consolidation becomes effective, SPD will arrange for new holding statements for shares to be issued to shareholders. It is the responsibility of each shareholder to check the number of shares held prior to disposal.

Resolution dependent on Resolutions 1, 3, 4, 5, 6 and 7

If any of Resolutions 1, 3, 4, 5, 6 or 7 is not passed, the Consolidation will not proceed. However, the Consolidation is not conditional on completion under the Share and Option Exchange Agreement or the Company successfully raising capital under the prospectus. This means the Consolidation will occur irrespective of whether the transaction completes.
To enable SPD to have a more flexible capital structure and to allow SPD to issue the performance shares to Saul Geological as described under the section on Resolution 4 in this Explanatory Statement as part of the transaction, the constitution of SPD is required to be amended.

Currently clause 3 of the constitution of SPD provides that SPD is not permitted to divide its share capital into different classes and there are restrictions on the issue of shares other than ordinary shares. Therefore, the creation of the new class of performance shares or the issue of performance shares is prohibited.

As part of the Share and Option Exchange Agreement, SPD agreed to issue 23,309,321 performance shares as described under the section in Resolution 4.

In order for SPD to discharge that obligation in the Share and Option Exchange Agreement, clause 3 of the constitution of SPD will need to be deleted.
Resolution 4 – Approval for issues of ordinary shares and performance shares to Saul Geological Pty Ltd

SPD has agreed under the Share and Option Exchange Agreement to issue a total of 64,100,633 ordinary shares and 23,309,321 performance shares at an issue price of $0.60 per share to Saul Geological in consideration for the acquisition of all of the issued shares in Resolve Coal.

Resolution 4 seeks shareholder approval under ASX Listing Rule 7.1 and SPD's constitution for the issue of those SPD shares to Saul Geological.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 stipulates that an entity must not, subject to specified exemptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period. The issue of 64,100,633 ordinary shares and 23,309,321 performance shares to Saul Geological under the Share and Option Exchange Agreement will exceed SPD’s 15% capacity under Listing Rule 7.1.

An issue of securities in excess of the 15% capacity is not prohibited under ASX Listing Rule 7.1 if it is approved by holders of ordinary securities in a general meeting and the notice of the meeting sets out the matters specified in Rule 7.3.

Resolution 4, if passed, will allow the directors of SPD to issue 64,100,633 ordinary shares and 23,309,321 performance shares to Saul Geological as consideration for the acquisition of all of the issued shares in Resolve Coal during a period of 3 months after the general meeting, without breaching the 15% limit set by Listing Rule 7.1.

For the purpose of ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue to Saul Geological:

(a) 64,100,633 ordinary shares and 23,309,321 performance shares will be issued at a price of $0.60 each to Saul Geological pursuant to the Share and Option Exchange Agreement;

(b) the shares are expected to be issued and allotted within one month after the date of the general meeting but in any event will be issued no later than three months after the date of the general meeting;

(c) the 64,100,633 ordinary shares issued will be fully paid ordinary shares in the capital of SPD, on the same terms as the existing SPD shares then on issue;

(d) the 23,309,321 performance shares issued will have the rights described below;

(e) no funds will be raised from the issue of the shares, as the shares are being issued as consideration for the acquisition of all of the issued shares in Resolve Coal pursuant to the Share and Option Exchange Agreement.

SPD will apply to ASX for the 64,100,633 ordinary shares the subject of this resolution to be quoted on ASX. Upon the conversion of the performance shares, ordinary shares in SPD will be issued and SPD will apply for those ordinary shares to be quoted on the ASX.
Performance Shares

The terms and conditions of the performance shares are as follows:

(a) **(Performance Shares)** Each performance share is a share in the capital of SPD.

(b) **(General Meetings)** The performance shares shall confer on the holder the right to receive notices of general meetings and financial reports and accounts of SPD that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of SPD.

(c) **(No Voting Rights)** The performance shares do not entitle the holder to vote on any resolutions proposed at a general meeting of shareholders of SPD, subject to any voting rights under the Corporations Act or the ASX Listing Rules where such rights cannot be excluded by these terms.

(d) **(No Dividend Rights)** The performance shares do not entitle the holder to any dividends.

(e) **(Rights on Winding Up)** Upon winding up of SPD, the performance shares may not participate in the surplus profits or assets of SPD, unless and only to the extent that each performance share has converted into an ordinary share.

(f) **(Transfer of Performance Shares)** The performance shares are not transferable.

(g) **(Reorganisation of Capital)** If at any time the issued capital of SPD is reconstructed, all rights of a holder of performance shares will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation.

(h) **(Performance Shares not quoted)** The performance shares will not be quoted on ASX.

(i) **(Participation in Entitlements and Bonus Issues)** Holders of performance shares will not be entitled to participate in new issues of capital offered to holders of the ordinary shares such as bonus issues and entitlement issues.

(j) **(Amendments required by ASX)** The terms of the performance shares may be amended as necessary by the directors of SPD in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms.

(k) **(No Other Rights)** The performance shares give the holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(l) **(Conversion of Performance Shares if Milestone achieved)** Each performance share will convert into one ordinary share upon SPD achieving a JORC compliant inferred resource of at least 650 million tonnes in respect of one or more of the areas comprising the Coal Assets (Milestone) on or before the 30 September 2014 (Milestone Date).

(m) **(Conversion of Performance Shares if Milestone not achieved)** If the Milestone is not achieved by the Milestone Date, all of the Performance Shares held by each Holder will automatically convert into one ordinary share (in total).

(n) **(After Conversion)** The ordinary shares issued on conversion of the performance shares will, as and from 5.00pm (EST) on the date of issue, rank pari passu in all respects with the ordinary shares then on issue and confer rights identical with all other ordinary shares then on issue.
(o) **Conversion Procedure** SPD will issue the holder of performance shares with a new holding statement for the ordinary shares as soon as practicable following the conversion of the performance shares into the ordinary shares.

(p) **Application to ASX** Upon conversion of the performance shares into ordinary shares in accordance with these terms, SPD must within seven days after the conversion apply for the official quotation on ASX of the ordinary shares arising from the conversion.

Approval is sought under section 246B of the Corporations Act as the issue of performance shares is taken to vary the rights attached to the existing shares.

**SPD Constitution**

Clause 2.3 of SPD’s constitution provides that the directors may not, without the prior approval of SPD in general meeting, allot any shares where the allotment will have the effect of transferring a controlling interest in SPD, subject to specified exemptions.

The allotment and issue of 64,100,633 ordinary shares and 23,309,321 performance shares to Saul Geological will result in Saul Geological acquiring a controlling interest in SPD (see the discussion in relation to Resolution 5). Approval is therefore sought under clause 2.3 of SPD’s constitution, to allow the directors of SPD to allot and issue 64,100,633 ordinary shares and 23,309,321 performance shares to Saul Geological.

**Restricted Securities**

The shares to be issued to Saul Geological may be subject to escrow in accordance with the ASX Listing Rules. ASX may in its absolute discretion impose an escrow for a period of up to 24 months from the date of the issue of the shares to Saul Geological.

**Resolution dependent on Resolutions 1, 2, 3, 5, 6 and 7**

If any of Resolutions 1, 2, 3, 5, 6 or 7 is not passed, SPD will not proceed with the issue of shares to Saul Geological.
Corporations Act requirements – Section 611 item 7

(a) Prohibition on certain acquisitions of relevant interests in voting shares

The Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition that person’s or someone else’s voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90% (section 606).

The voting power of a person is determined by calculating the number of voting shares in the company in which the person and the person’s associates have a relevant interest (section 610).

The Corporations Act provides that a person has a relevant interest in securities if they are the holder of the securities, they have power to exercise, or control the exercise of, a right to vote attached to securities or they have power to dispose of, or control the exercise of a power to dispose of, the securities. It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power (section 608).

A person (second person) will be an "associate" of the other person (first person) if:

(i) the first person is a body corporate and the second person is a body corporate the first person controls, a body corporate that controls the first person or a body corporate that is controlled by an entity that controls the person;

(ii) the second has entered or proposed to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company’s board or the conduct of the company’s affairs; and

(iii) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company’s affairs.

(b) Exceptions to the prohibition

There are various exceptions to the Corporations Act prohibition. A table in the Corporations Act sets out circumstances in which acquisitions of relevant interests are exempt from the prohibition. Item 7 of this table provides an exemption where a resolution is passed at a general meeting of the company before the acquisition is made. The parties involved in the acquisition and their associates are not able to cast a vote on the resolution.

Under the Share and Option Exchange Agreement, SPD has agreed to issue 64,100,633 ordinary shares and 23,309,321 performance shares in SPD to Saul Geological as consideration for the acquisition of all of the issued capital of Resolve Coal. As a result of the issue of the ordinary shares, and upon the conversion of the performance shares, Saul Geological’s relevant interest in issued voting shares in SPD will exceed the 20% threshold. As Gordon Saul and Lynn Saul each holds more than 20% of the voting power in Saul Geological, each of Gordon Saul and Lynn Saul will also acquire a relevant interest in the shares in SPD proposed to be issued to Saul Geological.
The purpose of Resolution 5 in relation to the Corporations Act is to seek SPD shareholder approval to:

(a) the issue of the 64,100,633 ordinary shares;

(b) the issue of 23,309,321 performance shares; and

(c) the issue of 23,309,321 ordinary shares upon the conversion of the 23,309,321 performance shares referred to in (b) above,

to Saul Geological and to approve the acquisition of a relevant interest by each of Saul Geological, Gordon Saul and Lynn Saul, pursuant to the exception in item 7 in the table in section 611.

Corporations Act information

The following paragraphs set out information required to be provided to shareholders under item 7 in the table in section 611 of the Corporations Act and ASIC Regulatory Guide 74.

Shareholders are also referred to the Independent Expert's Report attached to this Explanatory Statement as Annexure A.

(a) Identity of the allottee and their associates

The 64,100,633 ordinary shares and 23,309,321 performance shares in SPD the subject of the Share and Option Exchange Agreement will be allotted and issued to Saul Geological. The issued capital of Saul Geological is two ordinary shares, one held by Gordon Saul and one held by Lynn Saul.

No associate (as defined in section 12 of the Corporations Act) of Saul Geological, has a relevant interest in the 64,100,633 ordinary shares and 23,309,321 performance shares in SPD proposed to be issued to Saul Geological.

(b) Maximum extent of increase in voting power of Saul Geological, Gordon Saul and Lynn Saul in the SPD resulting from the transaction

As at the date of this Explanatory Statement, none of Saul Geological, Gordon Saul or Lynn Saul has a relevant interest in any shares in SPD or any voting power in SPD.

If Resolution 5 is passed, Saul Geological will be issued with 64,100,633 ordinary shares and 23,309,321 performance shares in SPD which, assuming all the performance shares are converted in accordance with their terms, will give each of Saul Geological, Gordon Saul and Lynn Saul a relevant interest in approximately 68.48% of shares in the capital of SPD assuming a capital raising of $20 million by the issue of 33,333,333 shares (at maximum subscription), or approximately 73.26% assuming a capital raising of $15 million by the issue of 25,000,000 shares (at minimum subscription).

In accordance with item 7 in the table in section 611 of the Corporations Act, SPD states:

(i) the maximum extent of the increase in the voting power of each of Saul Geological, Gordon Saul and Lynn Saul in SPD that will result from the transaction based on the assumptions above is approximately 73.26% (being from an existing voting power of 0% increasing to approximately 73.26%);
(ii) the voting power that each of Saul Geological, Gordon Saul and Lynn Saul will have as a result of the transaction based on the assumptions above is approximately 73.26% (assuming minimum subscription) and approximately 68.48% (assuming maximum subscriptions);

(iii) other than the above, no other associate (as defined in section 12 of the Corporations Act) of Saul Geological, Gordon Saul and Lynn Saul will have any voting power in SPD whether as a result of the transaction or otherwise.

(c) **Identity, associations and qualifications of proposed directors**

As indicated in the “Transaction Overview” above, the current board of SPD will be replaced by Gordon Saul, Dave Mathew, Greg Clark and Michael Howard. Each of their qualifications and experience is set out in the “Transaction Overview” above.

(d) **Saul Geological’s intentions regarding the future of SPD**

Saul Geological has informed SPD that, as at the date of this Explanatory Statement and on the basis of facts and information available to it, if shareholders approve Resolution 4, Saul Geological:

(i) intends to change existing business of SPD to focus on the development of the Coal Assets as described in the “Transaction Overview” above;

(ii) has no current intention to inject capital into SPD;

(iii) intends to terminate the employment of the present employees of SPD;

(iv) does not propose that any property be transferred between SPD and it or any person associated with it;

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

(vi) has an intention to change SPD’s existing financial policies to be more appropriate to a coal exploration company; and

(vii) has no current intention to change SPD’s existing dividend policies.

(e) **The terms of the proposed allotment**

The 64,100,633 ordinary shares and 23,309,321 performance shares in SPD are issued as consideration payable to Saul Geological to acquire all of the issued shares in Resolve Coal under the Share and Option Exchange Agreement. Information regarding the Share and Option Exchange Agreement is set out in the “Transaction Overview” above. Information regarding the terms of the performance shares and the performance hurdle required to be met before conversion are set out in the section under Resolution 4.

(f) **Timing of the proposed allotment**

The shares will be issued on completion of the Share and Option Exchange Agreement which will be no later than three months after the date of this meeting (unless a later date is permitted by ASX waiver). If the performance hurdle is met, the performance shares may be converted and the ordinary shares will be issued on the date of conversion. The last date for satisfying the performance hurdle is 30 September 2014.
(g) **Reasons for the allotment**

The shares will be issued to Saul Geological as consideration for the acquisition of all of the issued shares in Resolve Coal. Details about the Resolve Coal’s assets are set out in the "Transaction Overview" above.

(h) **Directors' interests and recommendations**

The Directors' interests and recommendations are set out in the "Transaction Overview" above.

(i) **Independent Expert's Report as to whether the transaction is fair and reasonable**

The independent expert's report addresses whether the issue of shares to Saul Geological the subject of Resolution 5 is fair and reasonable to the non associated shareholders. The independent expert's report is attached to this Explanatory Statement at Annexure A and concludes that the transaction is fair and reasonable to SPD's shareholders.

**Resolution 5 dependent on Resolutions 1, 2, 3, 4, 6 and 7**

If any of Resolutions 1, 2, 3, 4, 6 or 7 is not passed, SPD will not proceed with the issue of shares to Saul Geological, and Saul Geological, Gordon Saul and Lynn Saul will not acquire a relevant interest in the voting shares of SPD.
SPD has agreed under the Share and Option Exchange Agreement to issue 27,566,034 employee options (without performance hurdle) and 10,024,013 employee options (with performance hurdle) to the Optionholders exercisable at a nil exercise price for fully paid ordinary shares in SPD.

Resolution 6 seeks shareholder approval under ASX Listing Rule 7.1 for the issue of those SPD employee options to the Optionholders for the purposes of ASX Listing Rule 7.1.

**Listing Rule 7.1**

As discussed above in relation to Resolution 4, ASX Listing Rule 7.1 provides for a 15% limit on the issue of securities, which includes options over unissued shares, in a 12 month period, except where the entity has the prior approval of shareholders in a general meeting.

Resolution 6, if passed, will allow the directors of SPD to issue 27,566,034 (without performance hurdle) and 10,024,013 options (with performance hurdle) to the Optionholders as consideration for the acquisition of all of the employee options of Resolve Coal during a period of 3 months after the general meeting, without breaching the 15% limit set by Listing Rule 7.1.

For the purpose of ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue to the Optionholders:

(a) 27,566,034 (without performance hurdle) and 10,024,013 options (with performance hurdle) will be issued to the Optionholders (namely, David Keilar, Bing Bai, Jillian Cooper, Alan Hansen, Robert Coulls, Neil Biggs, Michael Skinner and Steven Spargo) in consideration for the acquisition of all of the issued employee options of Resolve Coal pursuant to the Share and Option Exchange Agreement;

(b) the employee options are expected to be issued within one month after the date of the general meeting but in any event will be issued no later than three months after the date of the general meeting;

(c) the employee options issued will be on the terms described below;

(d) no funds will be raised from the issue of the employee options, as the employee options are being issued as consideration for the acquisition of all of the issued employee options of Resolve Coal pursuant to the Share and Option Exchange Agreement.

**Option Terms**

The employee options in SPD to be issued to the Optionholders under the Share and Option Exchange Agreement will be issued to the Optionholders under an employee option plan that was adopted by SPD on 22 July 2011 (Plan).

An employee option granted to an Optionholder entitles the Optionholder to acquire a fully paid ordinary share in the capital of SPD:

(a) during the exercise period;

(b) subject to any other terms and conditions specified in the offer for that employee option; and

(c) provided any acquisition of shares does not breach the Corporations Act or the Listing Rules.
The employee options issued to the Optionholders will have a nil exercise price.

The Optionholder may exercise the employee option (without performance hurdle) at any time during the exercise period, which is the period beginning on the exercise date and ending on the expiry date. If the expiry date occurs before the exercise date, there is no exercise period and the options cannot be exercised.

The Optionholder may exercise the employee options (with performance hurdle) in the circumstances set out above for the employee options (without performance hurdle) but only if SPD attains a JORC compliant inferred resource of at least 650 million tonnes of coal with respect to one or more of the Coal Assets by 30 September 2014.

Other than the performance hurdle described above and the different exercise date and expiry date described below, the employee options (with performance hurdle) are on the same terms as the employee options (without performance hurdle).

The exercise date for the employee options (without performance hurdle) is the earlier of 18 months from the issue date and a date immediately prior to a change of control event involving SPD, such as SPD becoming a subsidiary of another corporation, the sale of SPD's business or any other reorganisation of SPD which results in the Optionholder ceasing to be a full or permanent part-time employee of SPD or its related bodies corporate, occurring six months or more after the issue date.

The exercise date for the employee options (with performance hurdle) is the earlier of the date that is 24 months following issue if the performance hurdle has been achieved, an earlier date if there is a change in control and the performance hurdle has been achieved and the date the performance hurdle described above is achieved if it occurs after 24 months from following issue, but before 30 September 2014.

The expiry date is the date five years after the exercise date for the employees options (without performance hurdle), or the date that is five years after 24 months following issue for the employee options (with performance hurdle), subject to certain circumstances of earlier expiry such as:

<table>
<thead>
<tr>
<th>Event</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Optionholder's employment is lawfully terminated for fraud or serious misconduct</td>
<td>On the date the termination takes effect, as defined in the Optionholder’s written employment agreement</td>
</tr>
<tr>
<td>The Optionholder resigns from employment</td>
<td>On the last day of employment</td>
</tr>
<tr>
<td>The Optionholder's employment is lawfully terminated for reasons other than fraud or serious misconduct</td>
<td>On the last day of employment, unless SPD in its absolute discretion and subject to any conditions it sees fit decides that the employee option should not expire or sets a later expiry date</td>
</tr>
<tr>
<td>The Optionholder dies or becomes totally and permanently disabled</td>
<td>Immediately, unless SPD in its absolute discretion and subject to any conditions it sees fit decides that the employee option should not expire or sets a later expiry date</td>
</tr>
</tbody>
</table>

In the instances specified in the table above, if the expiry date is earlier than the exercise date, the employee options are forfeited and can never be exercised.
In addition, if a takeover offer is made to acquire all of the shares and options in SPD within six months following the issue of the employee options, and the board recommends that the shareholders and Optionholders accept the takeover offer, then the employee options will lapse on the last date of acceptances for the takeover offer if the Optionholder does not elect to participate in the takeover offer by that date.

The employee options (with performance hurdle) are only exercisable if SPD attains a JORC compliant inferred resource of at least 650 million tonnes of coal in respect of one or more of the Coal Assets by September 2014.

If the Optionholder provides SPD with a valid notice of exercise for the employee option and is entitled to exercise the employee option under the Plan, SPD must approve and register the issue of a fully paid ordinary share in the capital of SPD to the Optionholder within 15 business days. SPD must also apply to ASX for official quotation of each share issued pursuant to a valid exercise of employee option immediately upon the issue of that share or earlier if required by the ASX Listing Rules.

A share issued pursuant to the exercise of an employee option will rank equally with all existing fully paid ordinary shares in the capital of SPD.

The employee options are also subject to the following:

(a) if there is a reconstruction of the issued capital of SPD, the number of employee options, the exercise price or both will be adjusted to the extent necessary to comply with the Listing Rules;

(b) the Optionholder shall not be entitled to participate in dividends on shares, or subject to (c) below, new issues of securities by SPD, until a share is issued pursuant to the exercise of the employee option under the Plan;

(c) if a pro rata bonus or cash issue of securities is awarded by SPD, SPD in its absolute discretion may adjust the number of shares over which an employee option exists and the exercise price in the manner specified in the Listing Rules, in which case written notice will be given to the Optionholder;

(d) employee options may not be transferred except in some change of control instances;

(e) SPD must not apply to ASX for official quotation of the employee options; and;

(f) the Optionholder has no interest in the share of SPD until the employee option is exercised and a share is issued.

In addition, there are restrictions on the disposal shares in SPD issued as a result of exercising an employee option until the earlier of:

(a) five years after the date of issue of the employee options;

(b) the date of cessation of employment; and

(c) a change of control event involving SPD occurring.
The Plan is administered by the board in accordance with the Plan rules. Subject to the Listing Rules (if applicable), the terms of the Plan may only be varied by:

(a) an ordinary resolution of the members of SPD in a general meeting;
(b) the requirement to comply with the Corporations Act in the case of minor amendments; or
(c) a resolution of the board of SPD to effect technical or non-substantive amendments,

provided that any amendment cannot effect a change to increase the number of fully paid ordinary shares in the capital of SPD to which an Optionholder is entitled or change the exercise period unless required by the Corporations Act or the Listing Rules (if applicable).

In addition, the Plan may be terminated or suspended at any time by SPD, but such suspension or termination will not affect nor prejudice rights of any Optionholder at that time.

Resolution 6 dependent on resolutions 1, 2, 3, 4, 5 and 7

If any of Resolutions 1, 2, 3, 4, 5 or 7 is not passed, SPD will not proceed with the issue of employee options to the Optionholders.
Resolution 7 – Approval for issue of shares under prospectus

SPD has issued or will issue a prospectus to raise between $15 million and $20 million to fund continued exploration and development of the Coal Assets, as outlined in the “Transaction Overview” above.

Resolution 7 seeks shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of up to 33,333,333 shares at $0.60 per share under the prospectus.

Listing Rule 7.1

As discussed above in relation to Resolutions 4 and 6, ASX Listing Rule 7.1 provides for a 15% limit on the issue of securities in a 12 month period, except where the entity has the prior approval of shareholders in a general meeting.

Resolution 7, if passed, will be to allow the directors of SPD to issue up to 33,333,333 shares under the prospectus, without breaching the 15% limit set by Listing Rule 7.1.

For the purpose of ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of shares under the prospectus:

(a) up to 33,333,333 shares will be issued and allotted on the date specified in the prospectus, which is expected to be within one month after the date of the general meeting but in any event will be no later than three months after the date of the general meeting;

(b) the issue price for each share will be $0.60;

(c) the shares will be issued to successful applicants under the prospectus;

(d) all shares issued under the prospectus are for fully paid ordinary shares in the capital of SPD, on the same terms and conditions as the existing SPD shares then on issue;

(e) funds raised under the prospectus will be used to fund continued exploration and development of the Coal Assets, as outlined in the "Transaction Overview" above and in the prospectus.

SPD will apply to ASX for the shares the subject of this resolution to be quoted on ASX.

For the purpose of Listing Rule 7.3.8, SPD will offer 3.34 million shares, being at least 10% of the shares the subject of this resolution, to shareholders of SPD under a priority entitlement as described in the prospectus for the issue. Further, SPD will limit the number of shares it issues under the prospectus to a shareholder to the higher of:

- 5% of all the shares being offered under the priority entitlement; and
- the number the shareholder would be entitled to under a pro rata issue of all those shares.

Resolution 7 dependent on Resolutions 1, 2, 3, 4, 5 and 6

If any of Resolutions 1, 2, 3, 4, 5 and 6 is not passed, SPD will not proceed with the issue of shares under the prospectus.
SPD's current and proposed new directors may subscribe for shares under the prospectus, including under the priority entitlement described above in relation to Resolution 7.

Resolution 8 seeks shareholder approval to allow the current and proposed new directors of SPD and their associates, being related parties of SPD, to participate in the issue of shares under the prospectus, as contemplated by Resolution 7.

**ASX Listing Rule 10.11**

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

The current directors of SPD, any proposed new directors and their associates are related parties of SPD. Consequently, pursuant to ASX Listing Rule 10.11, shareholder approval for participation in the issue of shares under the prospectus is required for all current and proposed new directors of SPD, their nominees and their associates.

For the purpose of ASX Listing Rule 10.13, the following information is provided:

(a) the related parties to whom shares may be issued under the prospectus are the current directors of SPD, being Stephen Sedgman, Andrew Kroger and John Walker, and their associates and proposed new directors of SPD, being Gordon Saul, Dave Mathew, Greg Clark and Michael Howard, and their associates;

(b) the maximum number of shares that may potentially be issued to the current and proposed new directors of SPD and/or their associates under the prospectus, subject to applications received by SPD from them, is 33,333,333, being all of the shares offered under the prospectus;

(c) the issue price for each share will be $0.60, being the issue price specified under the prospectus;

(d) all shares issued will be fully paid ordinary shares in the capital of SPD, on the same terms and conditions as the existing SPD shares on issue;

(e) all current and proposed new directors of SPD and their associates are able to participate;

(f) the shares will be issued and allotted on the date specified in the prospectus, which is expected to be within one month after the date of the general meeting;

(g) the funds raised from the shares issued to the current and proposed new directors of SPD their nominees and their associates under the prospectus will be used in the same manner as all other funds raised under the prospectus and as set out in this Explanatory Statement.

SPD will apply to ASX for the shares to be quoted on ASX.

**Resolution 8 dependent on Resolutions 1, 2, 3, 4, 5, 6 and 7**

If any of Resolutions 1, 2, 3, 4, 5, 6 or 7 is not passed, then SPD will not proceed with the issue of shares under the prospectus and the passing of Resolution 8 will not be relevant.
Resolution 9 – Approval to dispose of Fisher Graham Wealth assets to Fisher Graham Group

SPD intends, following completion of the proposed transaction described above, to focus exclusively on the continued exploration and development of the Coal Assets. To allow it to do so, SPD has disposed of, or agreed to dispose of, all assets that are not consistent with this strategy. SPD has sold all listed and unlisted investments other than Fisher Graham Wealth Pty Ltd (FGW). Fisher Graham Group Pty Ltd (FGG), an entity controlled by two of SPD’s directors, has agreed to purchase SPD’s only remaining unlisted investment.

Resolution 9 seeks shareholder approval pursuant to ASX Listing Rule 10.1 for the disposal of that asset to FGG and to forgive a proportion of the debt owed by FGW and its related bodies corporate to SPD.

ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that shareholder approval is required before a listed company may dispose of a substantial asset to various persons in a position of influence. This includes disposing of a substantial asset to a related party or a substantial shareholder.

For these purposes:

(a) a person is a substantial holder if the person and the person’s associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to an entity’s voting securities; and

(b) an asset is a substantial asset if its value, or the value of the consideration for it, is 5% or more of the equity interests of the company as set out in the latest accounts of the company given to ASX under the ASX Listing Rules.

SPD is proposing to dispose of 7,000,000 Class A shares and 2,750,000 Class B shares in FGW (FGW Shares) to FGG by way of a share sale deed (FGW Disposal Deed). Under the FGW Disposal Deed, SPD will transfer the FGW Shares to FGG for a payment of $1.00 for the FGW Shares plus a payment of $620,000 in full satisfaction of all debts and by FGW and its related bodies corporate to SPD, with the balance of the debt, $719,804, forgiven. The FGW Disposal Deed is subject to:

(a) SPD calling a general meeting of SPD shareholders and the passing of Resolution 8 set out in the Notice of Meeting;

(b) completion under the Share and Option Exchange Agreement;

(c) all other shareholders in FGW waiving all rights of pre-emption in relation to the FGW Shares and any tag along and/or drag along rights in relation to the FGW Shares; and

(d) all other shareholders in FGG executing a new shareholders agreement.

Settlement of the FGW Disposal Deed will take place within seven days of completion under the Share and Option Exchange Agreement or such earlier day as the parties agree. At settlement, SPD must deliver an executed transfer of the FGW Shares in registrable form in favour of FGG or its nominee together with the share certificate for the FGW Shares as well as any papers, documents or other property of FGW in the possession or control of SPD as at settlement. FGG must then pay the $1.00 consideration to SPD, as well as $620,000 which SPD and FGG and FGG have agreed shall be in full satisfaction of all debts owed by FGW and its related bodies corporate to SPD. The balance of the debts owed by FGW and its related bodies corporate has or will be forgiven.
The FGW Shares are a substantial asset for the purposes of Listing Rule 10.1.

FGG (a company controlled by Stephen Sedgman and John Walker) currently holds 19.99% of the shares in the capital of SPD and, as such, is a related party and, as such, shareholder approval under Listing Rule 10.1 is required to permit SPD to dispose of the FGW Shares and forgive the debt under the FGW Disposal Deed.

The purpose of Resolution 9 is to seek shareholder approval to dispose of the FGW Shares to FGG and forgive the debt on the terms of the FGW Disposal Deed.

Andrew Kroger, as the only independent director of SPD, commissioned the independent expert to prepare a report on whether the disposal of the FGW Shares and the debt forgiveness under the FGW Disposal Deed, are fair and reasonable to the shareholders not associated with the proposals. The independent expert’s report is attached to this explanatory statement at Annexure A.

The independent expert concluded that the disposal of the FGW Shares and the debt forgiveness under the FGW Disposal Deed to FGG, a company controlled by two of SPD’s directors, Stephen Sedgman and John Walker, are fair and reasonable to shareholders not associated with the transaction. Shareholders are urged to read the independent expert’s report.
Resolution 10 – Approval to change name

In order to reflect the change in focus of SPD’s activities to a coal exploration and development company it is proposed to change the name of SPD to "Resolve Energy Limited" effective from the date of completion of the proposed transaction described in the "Transaction Overview" above.

Section 157 of the Corporations Act requires a company to obtain the approval of its shareholders by special resolution to the change of the company’s name. A special resolution must be passed by at least 75% of the votes cast by shareholders who are entitled to vote at the meeting.

Resolution 10 dependent on Resolutions 1, 2, 3, 4, 5, 6 and 7

If any of Resolutions 1, 2, 3, 4, 5, 6 and 7 is not passed, or completion does not occur under the Share and Option Exchange Agreement, then SPD will not change its name.
16 September 2011

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

Dear Sirs

1. Introduction

You have requested DMR Corporate Pty Ltd (“DMR Corporate”) to prepare an independent expert's report in respect of the proposed transactions set out in Section 2 below. The proposed transactions are permitted by the provisions of the Corporations Act 2001 (“the Act”) and the Listing Rules of the Australian Securities Exchange (“ASX”), provided that the transactions are agreed to by shareholders.

On 5 July 2011 Strategic Pooled Development Limited (“Strategic”) announced the proposed acquisition of all of the issued capital of Resolve Coal Pty Ltd (“Resolve”). Resolve is a private company holding a portfolio of coal assets located in Queensland, Australia as well as four applications for coal exploration permits in Canada.

Strategic also announced the disposal of its interests in Fisher Graham Wealth Pty Ltd (“Fisher Graham Wealth”), an investment and wealth management company.

2. The Proposed Transactions

On 12 August 2011 Strategic announced that it had entered into a revised agreement1 to purchase all of the issued capital of Resolve from its existing shareholders and all of its issued options from its existing option holders, subject to Strategic shareholder approval. The consideration now payable by Strategic to the Resolve shareholders and option holders is to be satisfied by the issue of:

(a) 64,100,633 fully paid Strategic shares;
(b) 23,309,321 fully paid Strategic performance shares (with a performance hurdle);
(c) 27,566,034 employee options exercisable (at a nil exercise price) for fully paid Strategic shares to its option holders; and
(d) 10,024,013 employee options (with a performance hurdle)(at a nil exercise price) for fully paid Strategic shares.

This transaction is hereinafter referred to as “the Proposed Resolve Transaction” – Part A of this report.

---

1 The original agreement was signed on 5 July 2011 and the consideration payable by Strategic to the Resolve shareholders and option holders was originally agreed to be satisfied by the issue of 111,302,007 fully paid Strategic shares and by the issue of 47,864,658 employee options exercisable (at a nil exercise price) for fully paid Strategic shares. Due to equity market volatility between 5 July 2011 and early September 2011, the parties to the above transaction agreed to restructure the consideration to the shares and options stated in Section 2 above.
Strategic has also entered into an agreement to dispose of its interests in Fisher Graham Wealth (“the Proposed Fisher Graham Wealth Transaction” – Part B of this report).

These two transactions are hereinafter referred to as the “Proposed Transactions” throughout the remainder of this report.

The formal approval processes for the Proposed Transactions are set out in Resolutions 1 to 10 in the Notice of Meeting to which this report is attached. The Resolutions deal with the following matters:

Resolution 1: Approval for the change in nature and scale of activities.

Resolution 2: Approval for the Strategic shares to be consolidated on the basis that every 5 shares be consolidated into 1 share.

Resolution 3: Approval for the deletion of Clause 3 in Strategic’s Constitution.

Resolution 4: Approval to allot and issue of 64,100,633 fully paid shares and 23,309,321 performance shares to Saul Geological Pty Ltd in consideration for the acquisition of all of the issued capital of Resolve.

Resolution 5: Approval for Saul Geological Pty Ltd, Gordon Robert Shackelton Saul and Lynn Margaret Saul to acquire a relevant interest in 64,100,633 ordinary shares and 23,309,321 performance shares in Strategic.

Resolution 6: Approval to issue to each of the persons listed below the number of options over shares in Strategic that is set out adjacent to their name as follows:

<table>
<thead>
<tr>
<th>Options Without Performance Hurdle</th>
<th>Options With Performance Hurdle</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Kielar</td>
<td>3,531,563</td>
</tr>
<tr>
<td>Bing Bai</td>
<td>1,187,057</td>
</tr>
<tr>
<td>Jillian Cooper</td>
<td>6,288,779</td>
</tr>
<tr>
<td>Alan Hansen</td>
<td>3,531,563</td>
</tr>
<tr>
<td>Robert Coults</td>
<td>3,531,563</td>
</tr>
<tr>
<td>Neil Biggs</td>
<td>2,432,383</td>
</tr>
<tr>
<td>Michael Skinner</td>
<td>3,531,563</td>
</tr>
<tr>
<td>Steven Spargo</td>
<td>3,531,563</td>
</tr>
</tbody>
</table>

27,566,034 10,024,013

in consideration for the acquisition of all of the issued employee options of Resolve Coal.

Resolution 7: Approval for the issue of up to 33,333,333 shares in the Company at an issue price of $0.60 per share under a prospectus.

Resolution 8: Approval for the current and proposed directors of the Company, their nominees and any of their associates to participate in the share issue contemplated by Resolution 7 above.

Resolution 9: Approval to dispose of 7,000,000 class A shares and 2,750,000 class B shares in Fisher Graham Wealth to Fisher Graham Group Pty Ltd and to forgive a proportion of the debt owed by Fisher Graham Wealth and its related bodies corporate to Strategic.

Resolution 10: Approval for the name of the Company to be changed to ‘Resolve Energy Limited’.
Resolutions 1 to 7 are inter dependent and approval of the Proposed Resolve Transaction requires shareholders to pass all seven Resolutions.


If the Proposed Resolve Transaction is approved, then the Strategic shareholdings prior to any new capital raisings will be as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary shares</strong></td>
<td>34,500,158</td>
<td>34,500,158</td>
<td>34,500,158</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share consolidation on the basis of 1 for 5</td>
<td>6,900,032</td>
<td>9.72%</td>
<td>6,900,032</td>
<td>7.00%</td>
<td>6,900,032</td>
<td>5.23%</td>
</tr>
<tr>
<td><strong>Non Associated Shareholder Interests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Issue of shares to Resolve Shareholders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of performance shares to Resolve performance shareholders</td>
<td>64,100,633</td>
<td>90.28%</td>
<td>64,100,633</td>
<td>65.03%</td>
<td>64,100,633</td>
<td>48.60%</td>
</tr>
<tr>
<td></td>
<td>23,309,321</td>
<td>17.67%</td>
<td>87,409,954</td>
<td>66.27%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Issue of shares to Resolve option holders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of shares to the holders of performance options to Resolve Option Holders</td>
<td>27,566,034</td>
<td>27.97%</td>
<td>27,566,034</td>
<td>20.90%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Resolve Shareholders and Option Holders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share Capital after the Proposed Transaction</strong></td>
<td>64,100,633</td>
<td>90.28%</td>
<td>91,666,667</td>
<td>93.00%</td>
<td>125,000,001</td>
<td>94.77%</td>
</tr>
<tr>
<td></td>
<td>71,000,665</td>
<td>100.00%</td>
<td>98,566,699</td>
<td>100.00%</td>
<td>131,900,033</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

**Source:** DMR Corporate

**Note 1** – All options (i.e. those with and without a performance hurdle) have a nil exercise price. Options without a performance hurdle are exercisable at anytime between the date that is 18 months following issue and 5 years after that date. Options with a performance hurdle are exercisable at anytime between the date that is 24 months following issue and 5 years after that date.

Note 2 – The performance shares and options (with a performance hurdle) will only convert or become exercisable, as the case may be, if Strategic attains a JORC compliant inferred resource of at least 650 million tonnes on or before 30 September 2014, in respect of one or more of the exploration areas identified in Strategic’s ASX announcement of 5 July 2011. If the performance hurdle is not attained all of the performance shares will convert into one fully paid share and the performance options will lapse.

If the Strategic shareholders approve the Proposed Resolve Transaction, then the 125,000,001 Strategic shares and options issued to the Resolve shareholders and option holders could represent up to 94.77% of Strategic’s voting power before any new capital raisings.

The Directors of Strategic have requested DMR Corporate to prepare an independent expert’s report in accordance with ASIC Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 111 requires the Independent Expert to advise shareholders whether the Proposed Transactions are fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders.
3. Summary Opinions

3.1 Proposed Resolve Transaction

In our opinion, the Proposed Resolve Transaction set out in Section 2 above is fair and reasonable when considered in the context of the interests of the Strategic shareholders.

Our principal reasons for reaching the above opinion are:

Assessment of Fairness

In Section A.2.8 we valued the Strategic shareholders’ interests before the Proposed Resolve Transaction in a range of $4,184,000 to $4,288,000 (a mid point of $4,236,000) and in Section A.6 we assessed the value of the Strategic shareholders 5.23% minority interests after the Proposed Resolve Transaction to be in a range of $3,730,000 to $5,179,000 (a mid point of $4,433,000).

As the mid point value of the Strategic shareholders’ minority interests after the completion of the Proposed Resolve Transaction ($4,433,000) is greater than the mid point value of their interests before the Proposed Resolve Transaction ($4,236,000) we have concluded that the Proposed Resolve Transaction is fair.

Assessment of Reasonableness

The Proposed Resolve Transaction is considered to be reasonable as the Proposed Resolve Transaction is fair and the advantages of proceeding with the transaction outweigh the disadvantages of proceeding with the transaction.

Overall Conclusion

After considering all of the information available to us in respect of the Proposed Resolve Transaction, we consider that the Proposed Resolve Transaction is fair and reasonable to the Strategic shareholders.

3.2 Proposed Fisher Graham Wealth Transaction

In our opinion, the Proposed Fisher Graham Wealth Transaction set out in Section 2 above is fair and reasonable when considered in the context of the interests of the Non-Associated Strategic Shareholders.

Our principal reasons for reaching the above opinion are:

Assessment of Fairness

In Section B.2.5 we valued the business of Fisher Graham Wealth on the basis of an arms length sale to a third party in a range of $600,000 to $660,000. If the Fisher Graham Wealth business was sold at either of these prices then Fisher Graham Wealth Pty Ltd would have a total of between $598,971 and $659,471 left to distribute to Strategic to repay part of its loan.
In Section B.1.1(d) we determined that the sale price of the Strategic interests in Fisher Graham Wealth was $620,001. As the value of the sale price is within our valuation of Fisher Graham Wealth ($598,971 and $659,471), we consider that the Proposed Fisher Graham Wealth Transaction is fair.

Assessment of Reasonableness

The Proposed Fisher Graham Wealth Transaction is considered to be reasonable as the advantages of proceeding with the transaction outweigh the disadvantages of proceeding with the transaction.

Overall Conclusion

After considering all of the information available to us in respect of the Proposed Fisher Graham Wealth Transaction, we consider that the Proposed Fisher Graham Wealth Transaction is fair and reasonable to the Non-Associated Strategic shareholders.

4. Structure of this Report

This report is divided into the following sections:

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<th>Part</th>
<th>Page</th>
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<td>Resolve and the Coal Industry</td>
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<td>B.3</td>
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</tr>
</tbody>
</table>

Attachment 1 Global Resources and Infrastructure Pty Ltd - Tenement Valuation Report dated 8 August 2011
5. **Purpose of the Report**

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001**

  Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company from 20% or below to more than 20%.

  Section 611 of the Act contains an exception to the Section 606 prohibition. For an acquisition of shares to fall within the exception, the acquisition must be approved in advance by a resolution passed at a general meeting of the company in which shares will be acquired.

  Strategic is seeking shareholder approval for the Proposed Resolve Transaction under Section 611 of the Act as the Resolve shareholders and option holders may increase their interests in Strategic from less than 20% to 95.85% if the Proposed Resolve Transaction proceeds.

- **ASIC Regulatory Guides**

  This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

  **RG 111 – Content of Expert Reports (“RG111”)**

  **RG111.24** An issue of shares by a company otherwise prohibited under S606 may be approved under item 7 of S611 and the effect on the company’s shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of S611 that are comparable to takeover bids under Ch 6 include:

  (a) a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged businesses. The vendor could have achieved the same or a similar outcome by launching a scrip takeover for the company.

  **RG111.27** There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is ‘reasonable’ if it has assessed the issue price as being ‘not fair’ applying the test in RG111.11.

  **RG111.10** It has long been accepted in Australian mergers and acquisitions practice that the words ‘fair and reasonable’ in S640 established two distinct criteria for an expert analysing a control transaction:

  (a) is the offer ‘fair’; and

  (b) is it ‘reasonable’?

  That is, ‘fair and reasonable’ is not regarded as a compound phrase.

  **RG111.11** Under this convention, an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:

  (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length; and
(b) assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the ‘bidder’ or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or ‘portfolio’ parcel of shares.

RG111.12 An offer is ‘reasonable’ if it is fair. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

ASIC Regulatory Guide 111 requires that the Proposed Resolve Transaction be assessed as if it was a takeover of Strategic. In assessing a takeover bid Regulatory Guide 111 states that the expert should consider whether the Proposed Resolve Transaction is both “fair” and “reasonable”.

• ASX - Listing Rule 10

Listing Rule 10 requires that a company obtain shareholder approval at a general meeting when the sale or acquisition of an asset, which has a value in excess of 5% of the shareholders funds as set out in the latest financial statements given to the ASX under the listing rules, is to be made to or from:

(i) a related party;

(ii) a subsidiary;

(iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;

(iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above;

(v) a person whose relationship to the entity or a person referred to above is such that, in the ASX’s opinion, the transaction should be approved by security holders.

As

• Fisher Graham Group Pty Ltd is a substantial shareholder in Strategic and as Messrs Sedgman and Walker are both directors of Strategic and Fisher Graham Group Pty Ltd; and

• the consideration receivable from the Proposed Fisher Wealth Group Transaction is for $620,001 (the payment of $1.00 for Strategic’s shares held in Fisher Graham Wealth plus a payment of $620,000 in full satisfaction of all debts owed to Strategic by Fisher Graham Wealth) is greater than 5% of the shareholders funds as set out in the 31 December 2010 financial statements,

Listing Rule 10 will apply to the Proposed Fisher Graham Wealth Transaction. Listing Rule 10.10 requires that the notice of meeting to shareholders be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the holders of the entity’s ordinary securities whose votes are not to be disregarded (i.e. the Non-Associated Shareholders).
General

Part A - The Proposed Resolve Transaction

The terms “fair” and “reasonable” are not defined in the Act, however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness - the Proposed Resolve Transaction is “fair” if the value of the Strategic shareholders’ minority interests after the Proposed Resolve Transaction is greater than the value of their interests before the Proposed Resolve Transaction.

Reasonableness - the Proposed Resolve Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should vote in favour of the Proposed Resolve Transaction in the absence of a superior proposal being received.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Resolve Transaction is fair and reasonable, is summarised as:

(i) In determining whether the Proposed Resolve Transaction is fair, we have:
   • valued the Non-Associated Shareholders’ interests in Strategic before the Proposed Resolve Transaction;
   • valued the Non-Associated Shareholders’ interests in Strategic after the Proposed Resolve Transaction; and
   • compared the values before and after the Proposed Resolve Transaction.

(ii) In determining whether the Proposed Resolve Transaction is reasonable, we have analysed and compared the advantages and disadvantages of the Proposed Resolve Transaction.

(iii) In determining whether the Proposed Resolve Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered and concluded upon the results of (i) and (ii) above.

Part B - The Proposed Fisher Graham Wealth Transaction

The terms “fair” and “reasonable” are not defined in the Act, however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness - the Proposed Fisher Graham Wealth Transaction is “fair” if the value of the consideration receivable by Strategic is equal to or greater than the underlying value of Fisher Graham Wealth interests.
Reasonableness - the Proposed Fisher Graham Wealth Transaction is "reasonable" if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Fisher Graham Wealth Transaction outweigh the disadvantages of proceeding.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Fisher Graham Wealth Transaction is fair and reasonable, is summarised as:

(i) In determining whether the Proposed Fisher Graham Wealth Transaction is fair, we have:
   • valued Fisher Graham Wealth;
   • determined the value of the available cash that would be retained by Fisher Graham Wealth after the disposal of its business to repay or partially repay the Strategic loan;
   • compared the values of the available cash that would be retained by Fisher Graham Wealth after the disposal of its business with the $620,001 consideration offered in the Proposed Fisher Graham Wealth Transaction.

(ii) In determining whether the Proposed Fisher Graham Wealth Transaction is reasonable, we have analysed and compared the advantages and disadvantages of the Proposed Fisher Graham Wealth Transaction.

(iii) In determining whether the Proposed Fisher Graham Wealth Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered and concluded upon the results of (i) and (ii) above.
Part A – Proposed Resolve Transaction

A.1 Strategic - Key Information

A.1.1 Background

Strategic was incorporated on 1 November 1993 and on 5 November 1993 it was registered as a pooled development fund (“PDF”). The Company was listed on the ASX in February 1994 and its primary objectives were to assist in the development of smaller companies and to minimise investment risk by investing across a diverse portfolio of companies.

The Company relinquished its PDF registration in December 2007 and became a normal investment company.

In July 2008 Strategic endeavoured to reposition itself in the capital market by implementing a strategy of focusing its investment activities in the area of asset management based businesses. The implementation of this strategy required additional capital and Strategic issued 5,750,000 fully paid ordinary shares at $0.1625 per share to an entity associated with Messrs. Stephen Sedgman and John Walker, both directors of Strategic.

A.1.2 Share Capital

At the date of this report Strategic had on issue 34,500,158 fully paid ordinary shares. There are no options on issue.

The major shareholders of Strategic on 30 June 2011 were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Held</th>
<th>% of Capital Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fisher Graham Group Pty Limited</td>
<td>6,600,000</td>
<td>19.13</td>
</tr>
<tr>
<td>IEAH Pty Limited &lt;IEAH Super Fund A/c&gt;</td>
<td>3,145,000</td>
<td>9.12</td>
</tr>
<tr>
<td>Mr. Gary Griffith Robins</td>
<td>3,044,593</td>
<td>8.82</td>
</tr>
<tr>
<td>Mr. John Lawson Walker</td>
<td>1,700,000</td>
<td>4.93</td>
</tr>
<tr>
<td>Peleton Nominees Pty Limited</td>
<td>1,692,308</td>
<td>4.91</td>
</tr>
<tr>
<td>Aloren (No 155) Pty Limited &lt;Butterworth Super Fund A/c&gt;</td>
<td>1,538,462</td>
<td>4.46</td>
</tr>
<tr>
<td>Mr. Gary Owen &amp; Mrs. Judy Owen &lt;Gary Owen &amp; Co PL Emp BF A/c&gt;</td>
<td>1,230,769</td>
<td>3.57</td>
</tr>
<tr>
<td>Shalimar Fourteen Pty Limited</td>
<td>1,098,407</td>
<td>3.18</td>
</tr>
<tr>
<td>Thorpebay Pty Limited</td>
<td>834,949</td>
<td>2.42</td>
</tr>
<tr>
<td>Mr. Ivan Alexander Wheen</td>
<td>749,014</td>
<td>2.17</td>
</tr>
</tbody>
</table>

21,633,502 62.71

Source: Share Register 30 June 2011

As at 30 June 2011 the top 10 shareholders held 62.71% of the issued ordinary capital of Strategic.

A.1.3 Operating Performance

Strategic's statements of comprehensive income for the financial years ended 30 June 2009, 2010 and 2011 are presented in Appendix A-1 and summarised as follows:
### Summary of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>Audited Year Ended</th>
<th>Audited Year Ended</th>
<th>Audited Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2009 $</td>
<td>30 June 2010 $</td>
<td>30 June 2011 $</td>
</tr>
<tr>
<td>Revenue</td>
<td>305,277</td>
<td>1,180,825</td>
<td>477,680</td>
</tr>
<tr>
<td>Expenses</td>
<td>(1,279,937)</td>
<td>(1,142,177)</td>
<td>(1,328,032)</td>
</tr>
<tr>
<td>Profit/(loss) before income tax expense</td>
<td>(974,660)</td>
<td>38,648</td>
<td>(850,352)</td>
</tr>
<tr>
<td>Income tax credit/(expense)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(loss) and comprehensive income for the period</td>
<td>(974,660)</td>
<td>38,648</td>
<td>(850,352)</td>
</tr>
<tr>
<td>Profit/(loss) attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent entity</td>
<td>(954,584)</td>
<td>104,681</td>
<td>(738,702)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(20,076)</td>
<td>(66,033)</td>
<td>(111,650)</td>
</tr>
<tr>
<td>Profit/(loss) attributable to:</td>
<td>(974,660)</td>
<td>38,648</td>
<td>(850,352)</td>
</tr>
</tbody>
</table>

Source: Strategic Annual Reports

### A.1.4 Cash Flow Statements

Strategic's cash flow statements for the financial years ended 30 June 2009, 2010 and 2011 are presented in Appendix A-2.

### A.1.5 Statements of Financial Position

Strategic's statements of financial position as at 30 June 2009, 2010 and 2011 are presented in Appendix A-3.

### A.2. Valuation of Strategic – Before the Proposed Resolve Transaction

#### A.2.1 Value Definition

DMR Corporate’s valuation of Strategic has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing, but not anxious seller, and a willing, but not anxious, buyer acting at arm’s length.

#### A.2.2 Valuation Methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- asset based methods;
- capitalisation of future maintainable earnings;
- net present value of future cash flows; and
- comparable market transactions.
A.2.3 Share Price History

A.2.3.1 The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of the proposed transaction.

A.2.3.2 Over the approximate 18-month period between 1 January 2010 and 5 July 2011 there have been 2,482,801 shares traded and this represents approximately 7.2% of the Company’s issued capital. On this basis we consider that the trading in the Company’s shares is illiquid.

A.2.3.3 Announcements to the ASX made since 1 January 2010 through to 5 July 2011 that may have had an impact on the market price and trading volumes of the Strategic shares include:

- 25 February 2010 Half yearly accounts released.
- 26 October 2010 Annual report to shareholders released.
- 9 June 2011 Ceasing to be a substantial shareholder of Cryosite.
- 5 July 2011 Acquisition of a portfolio of coal assets in Queensland, Australia and British Columbia, Canada.

A.2.3.4 A table of the volume and value of the Strategic shares traded in the period from 1 January 2010 to 5 July 2011 is as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>High</th>
<th>Low</th>
<th>Average</th>
<th>Volume</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>0.145</td>
<td>0.135</td>
<td>0.140</td>
<td>94,794</td>
<td>13,272</td>
</tr>
<tr>
<td>February</td>
<td>0.145</td>
<td>0.125</td>
<td>0.134</td>
<td>43,850</td>
<td>5,879</td>
</tr>
<tr>
<td>March</td>
<td>0.130</td>
<td>0.130</td>
<td>0.130</td>
<td>20,000</td>
<td>2,600</td>
</tr>
<tr>
<td>April</td>
<td>0.135</td>
<td>0.100</td>
<td>0.112</td>
<td>59,207</td>
<td>6,464</td>
</tr>
<tr>
<td>May</td>
<td>0.120</td>
<td>0.089</td>
<td>0.108</td>
<td>104,628</td>
<td>11,296</td>
</tr>
<tr>
<td>June</td>
<td>0.110</td>
<td>0.080</td>
<td>0.094</td>
<td>143,379</td>
<td>13,527</td>
</tr>
<tr>
<td>July</td>
<td>0.110</td>
<td>0.090</td>
<td>0.091</td>
<td>66,870</td>
<td>6,118</td>
</tr>
<tr>
<td>August</td>
<td>0.095</td>
<td>0.095</td>
<td>0.095</td>
<td>10,000</td>
<td>950</td>
</tr>
<tr>
<td>September</td>
<td>0.090</td>
<td>0.080</td>
<td>0.080</td>
<td>57,334</td>
<td>4,610</td>
</tr>
<tr>
<td>October</td>
<td>0.110</td>
<td>0.100</td>
<td>0.101</td>
<td>141,500</td>
<td>14,257</td>
</tr>
<tr>
<td>November</td>
<td>0.110</td>
<td>0.085</td>
<td>0.100</td>
<td>435,278</td>
<td>43,634</td>
</tr>
<tr>
<td>December</td>
<td>0.100</td>
<td>0.100</td>
<td>0.100</td>
<td>74,050</td>
<td>7,405</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>0.110</td>
<td>0.090</td>
<td>0.110</td>
<td>168,334</td>
<td>18,450</td>
</tr>
<tr>
<td>February</td>
<td>0.110</td>
<td>0.085</td>
<td>0.087</td>
<td>190,741</td>
<td>16,673</td>
</tr>
<tr>
<td>March</td>
<td>0.110</td>
<td>0.090</td>
<td>0.091</td>
<td>565,598</td>
<td>51,504</td>
</tr>
<tr>
<td>April</td>
<td>0.090</td>
<td>0.090</td>
<td>0.090</td>
<td>26,667</td>
<td>2,400</td>
</tr>
<tr>
<td>May</td>
<td>0.096</td>
<td>0.096</td>
<td>0.096</td>
<td>120,000</td>
<td>11,520</td>
</tr>
<tr>
<td>June</td>
<td>0.099</td>
<td>0.081</td>
<td>0.093</td>
<td>160,571</td>
<td>14,912</td>
</tr>
<tr>
<td>July 1 - 5</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| Total      | 2,482,801 | 245,652 |

A.2.3.5 Graphically the daily closing prices and volumes of the Strategic shares traded in the period from 1 January 2010 to 5 July 2011 is presented as:
A.2.3.6 Commentary on Share Prices

In the period from 1 January 2011 to the announcement of the Proposed Transactions on 5 July 2011, the Strategic shares traded in a range of $0.081 to $0.110 with a VWAP\(^2\) of $0.094 per share based on a volume of 1,231,911 shares being traded.

Based on the above analysis we consider that the Strategic shares are valued in a range of $0.081 to $0.110 per share, on a minority interest basis (i.e. excluding a premium for control).

A recent study has indicated that control premiums are generally in a range of 20% to 30\(^3\). If this level of control premiums is added to the minority values of $0.081 to $0.110 per share, the share price values, on a control basis would be:

<table>
<thead>
<tr>
<th>Minority Value</th>
<th>20% Control Premium</th>
<th>30% Control Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.081</td>
<td>$0.097</td>
<td>$0.105</td>
</tr>
<tr>
<td>$0.110</td>
<td>$0.132</td>
<td>$0.143</td>
</tr>
</tbody>
</table>

After applying a typical level of control premium, the share price history values are in a range of $0.097 to $0.143.

\(^2\) VWAP – volume weighted average price of shares based on daily volumes and daily closing prices.

\(^3\) Control premiums are normally in a range of 20% to 30% above the value of a minority share – RSM Bird Cameron Control Premium Study – September 2010.
A.2.4 Asset Based Methods

A.2.4.1 These methodologies are based on the realisable value of a company’s identifiable net assets. Asset based valuation methodologies include:

(a) Net Assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses. The net assets on a going concern basis does not take account of realisation costs.

(b) Orderly Realisation of Assets

The orderly realisation of assets method estimates the 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.

(c) Liquidation of Assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

A.2.4.2 Net Assets

The total net assets of Strategic as at 30 June 2011, per the audited consolidated accounts, were $3,872,093 or $0.112 per share. If the net equity before non-controlling interests of $4,044,878 was taken then the net asset backing would be $0.117 per share. The effect that the non-controlling interests have is immaterial and we have conservatively used the total net assets figure throughout the remainder of this report.

These values have been determined for financial reporting purposes using the Australian Accounting Standards, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Act.

The $0.112 per share is not a value that shareholders should necessarily expect to receive for their shares and it has not been included in our summary of values as the orderly realisation of assets valuation methodology supersedes it.

A.2.4.3 Orderly Realisation of Net Assets

In an orderly realisation shareholders would be left with cash and a listed corporate shell, which could be used to acquire a new business. In our experience listed shells in the current market have a value between $300,000 to $400,000 and we have added this value to the net asset values above.

As virtually all of Strategic’s net assets are cash, we do not consider that there will be any realisation costs to account for in completing this valuation methodology.

We have assessed the value of Strategic as at 30 June 2011 on an orderly realisation basis as follows:
<table>
<thead>
<tr>
<th>Note</th>
<th>CURRENT ASSETS</th>
<th>Estimated Realisable Values</th>
<th>Estimated Realisable Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Audited 30 June 2011</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>1</td>
<td>Cash and cash equivalents</td>
<td>2,213,596</td>
<td>2,213,596</td>
</tr>
<tr>
<td>2</td>
<td>Trade and other receivables</td>
<td>14,767</td>
<td>14,767</td>
</tr>
<tr>
<td>3</td>
<td>Investments</td>
<td>1,277,874</td>
<td>1,297,000</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>17,182</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>TOTAL CURRENT ASSETS</td>
<td>3,523,419</td>
<td>3,540,363</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>NON CURRENT ASSETS</th>
<th>Estimated Realisable Values</th>
<th>Estimated Realisable Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Property, plant and equipment</td>
<td>4,676</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Intangibles</td>
<td>620,000</td>
<td>620,000</td>
</tr>
<tr>
<td></td>
<td>TOTAL NON-CURRENT ASSETS</td>
<td>624,676</td>
<td>620,000</td>
</tr>
<tr>
<td></td>
<td>TOTAL ASSETS</td>
<td>4,148,095</td>
<td>4,160,363</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>LIABILITIES CURRENT LIABILITIES</th>
<th>Estimated Realisable Values</th>
<th>Estimated Realisable Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade and other payables</td>
<td>207,297</td>
<td>207,297</td>
</tr>
<tr>
<td></td>
<td>Employee provisions</td>
<td>60,705</td>
<td>60,705</td>
</tr>
<tr>
<td></td>
<td>Borrowings</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td></td>
<td>TOTAL CURRENT LIABILITIES</td>
<td>276,002</td>
<td>276,002</td>
</tr>
<tr>
<td></td>
<td>NET ASSETS</td>
<td>3,872,093</td>
<td>3,884,361</td>
</tr>
<tr>
<td></td>
<td>Add: Value of listed shell</td>
<td>300,000</td>
<td>400,000</td>
</tr>
<tr>
<td></td>
<td>TOTAL ASSETS</td>
<td>4,184,361</td>
<td>4,287,543</td>
</tr>
</tbody>
</table>

Shares on issue - 34,500,158 Per share: $0.121 $0.124

Note 1 – Trade and other receivables represents dividends and interest accrued at year end and these amounts have been subsequently collected.

Note 2 – These investments have been subsequently sold at a premium to the 30 June 2011 book values.

Note 3 – Values applied to ‘Other’ and ‘Property, plant and equipment’ are judgemental assessments by DMR Corporate.

Note 4 – This asset represents the book value of the Fisher Graham Wealth client portfolio. In Part B – Section B.2.5 of this report we valued Fisher Graham Wealth in a range of $600,000 to $660,000 and as the sale price in the Proposed Fisher Graham Wealth Transaction is $620,001 we consider that the above realisable values are realistic.

Based on the above we have valued Strategic in a range of $4,184,000 to $4,288,000 or $0.121 to $0.124 per share.

A.2.5 Capitalization of Future Maintainable Earnings

This methodology involves capitalising the estimated future maintainable earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax – Price Earnings or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing
and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

Other variations to EBIT include ‘Earnings Before Interest, Tax, Depreciation and Amortization’ – EBITDA and ‘Earnings Before Interest, Tax, and Amortization’ – EBITA.

We have concluded that the capitalisation of future maintainable earnings methodology cannot be applied in valuing Strategic and its shares as:
(a) Strategic is a small investment company that has not been generating reasonable profits on its capital over the last 2 years;
(b) Strategic is selling off its only operating business (Fisher Graham Wealth) as part of the Proposed Transactions; and
(c) Strategic has divested itself of its other investments over the last 3 months and it is currently holding a large amount of its assets in cash.

A.2.6 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

As Strategic does not have an operating business generating cash flows, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value Strategic.

A.2.7 Comparable Market Transactions

Strategic is basically an investment company and its few assets could be liquidated and the cash could be distributed to shareholders. We do not consider that this valuation methodology can be applied in valuing the Strategic shares.

A.2.8 Conclusion

The applicable valuation methodologies that we have considered are summarised as:

<table>
<thead>
<tr>
<th>VALUATION METHODOLOGY</th>
<th>Low Per Share</th>
<th>High Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price history</td>
<td>A.2.3.6</td>
<td>$0.097</td>
</tr>
<tr>
<td>Net assets</td>
<td>A.2.4.2</td>
<td>$0.112</td>
</tr>
<tr>
<td>Orderly realisation of net assets</td>
<td>A.2.4.3</td>
<td>$0.121</td>
</tr>
</tbody>
</table>

Given the low liquidity in the Strategic shares, we have selected the orderly realisation of net assets methodology as the preferred valuation methodology. Based on the above we consider that the Strategic shares are valued in a range of $0.121 to $0.124 ($4,184,000 to $4,288,000).
A.3. Resolve and the Coal Industry

A.3.1 Resolve – Key Information

Background

Resolve was incorporated on 31 May 2011 and it entered into an ‘Asset Sale Agreement’ with Resolve Geo Pty Ltd (a related company controlled by Mr. Gordon Saul) on 4 July 2011 to acquire coal tenements, tenement applications and interests in Queensland and British Columbia.

Resolve has the following coal interests as at the date of this report:

**Assets in Queensland, Australia**

<table>
<thead>
<tr>
<th>Tenement Number</th>
<th>Title</th>
<th>Location</th>
<th>Coal Target</th>
<th>Size (KM²)</th>
<th>Resolve Interests</th>
<th>Date Applied/Granted</th>
<th>Tenure Length Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC 1663</td>
<td>Pigeonhole Creek</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>38.31</td>
<td>100%</td>
<td>26/11/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1754</td>
<td>Bully Creek</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>156.5</td>
<td>100%</td>
<td>29/10/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1673</td>
<td>Sherwood Park</td>
<td>Eromanga Basin</td>
<td>Thermal Coal</td>
<td>903.2</td>
<td>100%</td>
<td>29/10/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1954</td>
<td>Jeffries Creek</td>
<td>Bowen Basin</td>
<td>Thermal Coal /Coking Coal</td>
<td>34.56</td>
<td>100%</td>
<td>4/2/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPCA 2618</td>
<td>Gindie</td>
<td>Bowen Basin</td>
<td>Thermal Coal /Coking Coal</td>
<td>47.17</td>
<td>100%</td>
<td>21/6/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPCA2050</td>
<td>Row Creek</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>79.89</td>
<td>100%</td>
<td>2/2/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1857</td>
<td>Lake Powlanthanga</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>290.0</td>
<td>100%</td>
<td>26/7/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1969</td>
<td>Trafalgar</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>161.0</td>
<td>100%</td>
<td>21/4/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPCA 2341</td>
<td>Sandlands Creek</td>
<td>Galilee Basin</td>
<td>Thermal Coal</td>
<td>N/A – Competing applications for this area have been received.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Assets in British Columbia, Canada**

<table>
<thead>
<tr>
<th>Tenement Number</th>
<th>Title</th>
<th>Location</th>
<th>Coal Target</th>
<th>Size (KM²)</th>
<th>Resolve Interests</th>
<th>Date Applied/Granted</th>
<th>Tenure Length Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLA 417875</td>
<td>Mt Spieker South</td>
<td>British Columbia</td>
<td>Coking Coal</td>
<td>13.27</td>
<td>100%</td>
<td>29/6/2011</td>
<td>30</td>
</tr>
<tr>
<td>CLA 417876</td>
<td>Mt Spieker North</td>
<td>British Columbia</td>
<td>Coking Coal</td>
<td>4.42</td>
<td>100%</td>
<td>29/6/2011</td>
<td>30</td>
</tr>
<tr>
<td>CLA 417873</td>
<td>Adams West</td>
<td>British Columbia</td>
<td>Coking Coal</td>
<td>14.41</td>
<td>100%</td>
<td>29/6/2011</td>
<td>30</td>
</tr>
<tr>
<td>CLA 417874</td>
<td>Adams West</td>
<td>British Columbia</td>
<td>Coking Coal</td>
<td>2.88</td>
<td>100%</td>
<td>29/6/2011</td>
<td>30</td>
</tr>
</tbody>
</table>

A.3.2 Overview of the Coal Industry

The coal industry plays a vital role in Australia’s economy, energy security and community. It is Australia’s largest export earner (valued at $55 billion in 2008-09) and employs around 137,000 Australians – 37,000 directly and 100,000 indirectly, mainly in regional Australia. With over 54% of our electricity generated from black coal it also underpins the security, reliability and comparative low-cost of Australia’s electricity supply.
Coal contributes to around 39% of the global electricity generation and this number is expected to change very little over the next 30 years. The growth of steam coal and lignite, both used for power generation, is projected to be around 1% per year. Demand for coking coal in the steel industry is likely to increase at a similar rate.

Most of the coal is consumed in the country in which it was mined due to high transportation costs involved in the coal trade. Only around 18% of hard coal production goes to the international market.

The biggest market for coal is Asia. Currently 54% of the global coal consumption takes place in Asia, mostly in China, Japan, India and Korea. Even though many Asian countries have large coal assets they import a significant amount. The importance of obtaining certain types of coal, for example good coking coal, is an important factor to consider.

Logistical reasons is another explanation as to why a major coal producer would import coal. It is easier to import coal directly to major consumption areas than mining domestic coal in faraway regions with undersized transportation systems.

Australia, with a total hard coal production equal to 274 Mt, is the world’s largest coal exporter, exporting 207 Mt. Australia is also the world’s largest supplier of coking coal, accounting for 51% of world total export. Coking coal is quite expensive compared to other types of coal and that makes it possible for Australia to afford the high freight costs involved in exporting coal worldwide.

![Australian Coal Export Forecasts](source: Australian Coal Consulting Alliance)

**Major Export Markets**

Most of Australia’s thermal exports were delivered to Japan, South Korea and Taiwan. Japan is Australia’s most important customer for thermal coal, accounting for 45% of our thermal exports or over 60 million tonnes of thermal coal.

Japan is also the major destination for Australian metallurgical (coking) coal exports. Japan accounts for 29% of these exports having imported 40 million tonnes of Australian...
metallurgical coal in 2009. But the split between exports is much more even than for thermal coal, with China, India, South Korea and Europe all being major destinations:

![2009 Australian Thermal Exports by Destination](image1)

![2009 Australian Metallurgical Exports by Destination](image2)

**High demand and supply constraints support prices**

In March 2011, Australian coal suppliers and Japanese power utilities settled some thermal coal contract prices at around US$130 a tonne for FY 2011, an increase of around 32 per cent from a year earlier. The record price settlement reflected strong demand in Asia and a number of supply disruptions. For example, in late 2010 and early 2011 production in Australia, Colombia and Indonesia was affected by above average rainfall.

In early June, Newcastle thermal coal prices had eased to around US$120 a tonne, which reflected increased supplies in Australia and Indonesia as mine production recovered. Also contributing to the fall in prices were concerns that Japan’s thermal coal imports may decline as some coal-fired power stations and associated import infrastructure sustained damage in the March 2011 earthquakes and tsunami.

In April 2010, ABARE reported that prices for the majority of metallurgical coal from major producers were set on a quarterly basis, which was a significant departure from the traditional annual price-setting system. Prices for the April to June quarter to Japanese
Steel Mills was about US$200 a tonne for high quality coking coal. This represented a 56% increase from the JFY 2009 annual contract price. For the September quarter 2010, hard coking coal prices increased to around US$220 a tonne.

Coal Price Forecasts

In November 2010 a Commonwealth Bank Research paper predicted the following coal prices:

<table>
<thead>
<tr>
<th>USS Tonne</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard coking</td>
<td>238</td>
<td>255</td>
<td>226</td>
<td>204</td>
<td>189</td>
</tr>
<tr>
<td>Semi-hard coking</td>
<td>215</td>
<td>226</td>
<td>190</td>
<td>167</td>
<td>150</td>
</tr>
<tr>
<td>Semi-soft coking</td>
<td>175</td>
<td>187</td>
<td>154</td>
<td>136</td>
<td>118</td>
</tr>
<tr>
<td>LV PCI</td>
<td>181</td>
<td>191</td>
<td>158</td>
<td>139</td>
<td>122</td>
</tr>
<tr>
<td>Thermal</td>
<td>115</td>
<td>107</td>
<td>95</td>
<td>93</td>
<td>91</td>
</tr>
</tbody>
</table>

A.3.3 Share Capital

Resolve has 111,302,007 fully paid ordinary shares on issue together with 40,473,457 performance shares. In addition to the shares, Resolve also has 47,864,658 employee options on issue (at a nil conversion price) and 17,405,330 employee options (with a performance hurdle).

A.3.4 Operating Performance

Resolve was incorporated on 31 May 2011 and it had no operating income or expenses in the period from the date of incorporation to 4 July 2011.

A.3.5 Statement of Financial Position

Resolve was incorporated on 31 May 2011 and its statement of financial position as at 4 July 2011 was as follows:

<table>
<thead>
<tr>
<th>Management 4 July 2011</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>454,000</td>
</tr>
<tr>
<td>Tenements</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td>454,000</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>454,000</td>
</tr>
<tr>
<td><strong>LIABILITIES CURRENT LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Employee provisions</td>
<td>107,000</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>107,000</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>347,000</td>
</tr>
</tbody>
</table>
A.4. Valuation of Resolve

The definition of value and the valuation methodologies considered are the same as stated in Sections A.2.1 and A.2.2.

A.4.1 Net Assets

The unaudited statement of financial position as at 4 July 2011 disclosed net assets of $347,000. As the net assets were acquired by Resolve from Resolve Geo Pty Ltd pursuant to a non-arms length transaction, we have concluded that the net asset backing valuation methodology is not an appropriate valuation methodology to use to value Resolve.

A.4.2 Earnings Based Valuation

Capitalisation of earnings is a methodology commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

An alternative to the use of EBIT is to capitalise EBITDA. The argument in favour of using EBITDA is that it is a proxy for operating cash flows.

Resolve does not presently have an operating business and we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value Resolve.

A.4.3 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

As Resolve does not yet have a business capable of producing long-term cash flows, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value Resolve.

A.4.4 Orderly Realisation

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. Consequently, this method may ignore the ability of the asset base of the business to generate ongoing future earnings at a level sufficient to justify a value in excess of the value of its assets in an orderly realisation.
Resolve’s main assets are its mineral exploration rights. Given that many of these assets are at an early exploration stage, we do not believe that these could be marketed in an orderly manner in a break-up scenario and for this reason we consider that this valuation methodology is not an appropriate methodology to use to value Resolve.

A.4.5 Share Price History

Resolve was incorporated on 31 May 2011 as an unlisted proprietary company and there has been no market for its shares since the date of incorporation. On 4 July 2011 Resolve issued 111,302,006 shares to Resolve Geo Pty Ltd pursuant to the Asset Sale Agreement. This transaction was with a related party and it does not place a commercial value on the underlying coal interests.

We have concluded that the share price history methodology cannot be applied in valuing Resolve.

A.4.6 Alternate Acquirer

A.4.6.1 The value that an alternative offeror may be prepared to pay to acquire Resolve is a relevant valuation methodology to be considered.

A.4.6.2 As stated in Sections A.3.5 and A.4.1 above, the net assets of Resolve at the date of its acquisition by Strategic will be approximately $347,000, including ‘Plant and equipment’ of approximately $454,000 and ‘Employee liabilities’ of $107,000.

A.4.6.3 As the 4 July 2011 Statement of Financial Position does not ascribe any value to the underlying coal interests that Resolve has been granted, or applied for, we engaged Global Resources & Infrastructure Pty Ltd (“GRI”) (a firm specialising in the provision of management consulting and advisory services to the resources sector), to act as a technical specialist, to review the Queensland, Australia and British Columbia, Canada mining tenements and the exploration licences held by Resolve and to provide us with their opinion of the value of the tenements and the licences.

A.4.6.4 We have reviewed the valuation report prepared by GRI and discussed the valuation with Mr. Ian Buckingham, a director of GRI responsible for preparation of the report. As a result of our review of the GRI report and discussions with Mr. Buckingham, we have used the tenement values determined by GRI as a basis of our assessment of the value that an alternate acquirer may be prepared to pay to acquire Resolve’s mineral assets and the other net assets recorded in the Statement of Financial Position.

A.4.6.5 A copy of the GRI report dated 8 August 2011 is attached as Attachment 1 to this report and the Executive Summary is as follows:

- All of the assets owned by Resolve are exploration projects which will require significantly more exploration and evaluation work to be undertaken before a decision may be made to commit to development of the projects.
- Nine of its projects are located in Queensland within the Galilee, Bowen and Eromanga Basins. Of these, the six tenements located within the Galilee Basin are regarded as Thermal coals, the two tenements in the Bowen Basin are PCI / Coking coals and the Eromanga Basin tenement is most probably a Thermal coal.
- The four tenements located in the Peace River coalfield, which is found in the British Columbian North East Basin, BC Canada, which is regarded as being a mature coking coal
basin and is still regarded as holding many opportunities for the acquisition of high quality assets. Resolve owns 100% of each tenement.

- Based on our knowledge of Resolve’s management team we expect that the ongoing exploration and potential development of each project will be well managed and properly funded.
- Resolve has developed a detailed programme of exploration and appraisal for its assets, which it expects will significantly upgrade several of its tenements to JORC compliant resource during the next twelve months.
- Resolve possesses a knowledgeable and experienced coal exploration and development team that understands the complexities of the geology and structures associated with the Queensland and BC Canada coalfields.

Valuation

We have undertaken an assessment of those coal exploration tenements owned by Resolve and estimated a value for these assets, which is the aggregate of the estimated fair market value of the company’s mineral assets, as at the date of this report. We have estimated that their value lies in the range $88.2 million and $114.2 million.

For the exploration focused tenements GRI applied either the Joint Venture Terms (JVT) or the Comparable Transactions (CT) valuation methodologies to derive the tenement value ranges:

**Joint Venture Terms (JVT)**

The terms of a joint venture agreement or proposed agreement indicate the value placed on a permit by a (usually) knowledgeable incoming partner who is prepared to invest in the property to earn an interest. This method has to take into consideration the full details of the agreement, particularly the terms under which the incoming partner can withdraw. We have used this method to assess value for two of the Queensland tenements.

**Comparable Transactions (CT)**

Comparable transactions relate to the values of reasonably recent transactions for other properties that are judged to be similar and / or in the same region as the property in question. As such transactions are often of a joint-venture nature, it is necessary to discount the apparent value for time and for the probability of the earning expenditure being completed or adjust them for other payments such as royalties to be triggered by successful exploration.

While there have been few transactions involving immature coal exploration properties in Queensland and BC, Canada within the recent past, GRI has used this method for valuing some of the Queensland tenements and all of the BC tenements owned by Resolve.
A.4.6.6 A summary of the GRI tenement valuations is as follows:

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Name</th>
<th>Basin</th>
<th>Coal Type</th>
<th>Interest</th>
<th>Valuation Method</th>
<th>Value Low</th>
<th>Value High</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Queensland, Australia</td>
<td></td>
</tr>
<tr>
<td>EPC 1663</td>
<td>Pigeonhole Creek</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$7.0m</td>
<td>$7.8m</td>
</tr>
<tr>
<td>EPC 1754</td>
<td>Bully Creek</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$5.7m</td>
<td>$6.4m</td>
</tr>
<tr>
<td>EPCA 2050</td>
<td>Row Creek</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$2.9m</td>
<td>$3.3m</td>
</tr>
<tr>
<td>EPCA 2341</td>
<td>Sandlands Creek</td>
<td>Galilee</td>
<td>Thermal</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPC 1857</td>
<td>Lake Powellthanga</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$5.3m</td>
<td>$5.9m</td>
</tr>
<tr>
<td>EPC 1969</td>
<td>Trafalgar</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$2.9m</td>
<td>$3.3m</td>
</tr>
<tr>
<td>EPC 1954</td>
<td>Jeffries Creek</td>
<td>Bowen</td>
<td>PCI/Coking</td>
<td>100%</td>
<td>JVT</td>
<td>$45.0m</td>
<td>$55.0m</td>
</tr>
<tr>
<td>EPCA 2618</td>
<td>Gindie</td>
<td>Bowen</td>
<td>PCI/Coking</td>
<td>100%</td>
<td>JVT</td>
<td>$4.5m</td>
<td>$5.5m</td>
</tr>
<tr>
<td>EPC 1857</td>
<td>Lake Powellthanga</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$3.3m</td>
<td>$3.7m</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>British Columbia, Canada</td>
<td></td>
</tr>
<tr>
<td>CLA 417875</td>
<td>Mt Spieker South</td>
<td>B.C.</td>
<td>Coking</td>
<td>100%</td>
<td>CT</td>
<td>$1.4m</td>
<td>$2.9m</td>
</tr>
<tr>
<td>CLA 417876</td>
<td>Mt Spieker North</td>
<td>B.C.</td>
<td>Coking</td>
<td>100%</td>
<td>CT</td>
<td>$0.5m</td>
<td>$1.0m</td>
</tr>
<tr>
<td>CLA 417873</td>
<td>Adams &amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CLA 417874</td>
<td>Adams West</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>$88.2m</td>
</tr>
</tbody>
</table>

**NOTE:** (1) EPCA 2341 is the subject of a competitive bid by five companies. Until Resolve Coal Pty Ltd is advised by the Queensland Government that it has been awarded the “priority applicant” GRI cannot apply an ownership value to this tenement.

A.4.6.7 We have assessed the value of Resolve as at 4 July 2011 on an alternative acquirer basis as follows:

<table>
<thead>
<tr>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>$347,000</td>
<td>$347,000</td>
</tr>
<tr>
<td>114,200,000</td>
<td>114,200,000</td>
</tr>
</tbody>
</table>

A.4.6.8 Conclusion

A summary of the applicable valuation methodologies that we considered in valuing Resolve is as follows:

<table>
<thead>
<tr>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>$88,547,000</td>
<td>114,547,000</td>
</tr>
</tbody>
</table>

We have concluded that Resolve should be valued by reference to the alternate acquirer valuation methodology and we have assessed the value of Resolve to be in a range of $88,547,000 to $114,547,000. These values represent control values in respect of Resolve.
A.5. Valuation of Strategic After the Proposed Resolve Transaction

Based on the values determined in the above Sections we have valued Strategic after the Proposed Resolve Transaction as follows:

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
<th>Mid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Strategic - A.2.8</td>
<td>4,184</td>
<td>4,288</td>
<td>4,236</td>
</tr>
<tr>
<td>Value of Resolve - A.4.6.8</td>
<td>88,547</td>
<td>114,547</td>
<td>101,547</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>92,731,000</td>
<td>118,835,000</td>
<td>105,783,000</td>
</tr>
</tbody>
</table>

Both the Strategic and Resolve valuations are ‘control valuations’ and the range of $92,731,000 to $118,835,000 represents the control value of Strategic after the Proposed Resolve Transaction has taken place.

A.6 Control Premium

A.6.1 A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired. Control premiums are normally in a range of 20% to 30% above the value of a minority share. The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets.

If the Proposed Resolve Transaction is approved by shareholders, then the shareholders and option holders of Resolve will control in aggregate 125,000,001 shares or 94.77% (assuming the performance share and option hurdle is attained and all options vest) of Strategic’s voting power. Whilst this level of control is likely to be reduced by the proposed capital raising of $15 to $20 million, the Proposed Resolve Transaction will deliver control of Strategic to the Resolve shareholders and option holders.

In Section A.5 above we valued Strategic after the Proposed Resolve Transaction in a range of $92,731,000 to $118,835,000 – mid point of $105,783,000.

Using the above information we have set out in the following table the Strategic shareholders’ interests after the Proposed Resolve Transaction (5.23%) on a minority shareholder basis (i.e. after eliminating a control premium in a range of 20% to 30%):

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
<th>Mid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Strategic after Proposed Resolve Transaction</td>
<td>92,731,000</td>
<td>118,835,000</td>
<td>105,783,000</td>
</tr>
<tr>
<td>Strategic Shareholders Interest After the Proposed Transaction - Section 2</td>
<td>5.23%</td>
<td>5.23%</td>
<td>5.23%</td>
</tr>
<tr>
<td>Strategic Shareholders Interest After the Proposed Transaction on a Control Basis</td>
<td>4,849,831</td>
<td>6,215,071</td>
<td>5,532,451</td>
</tr>
<tr>
<td>Value after eliminating a control premium of 20% to 30% for minority shareholdings held by the Strategic Shareholders after the Proposed Resolve Transaction</td>
<td>3,730,000</td>
<td>5,179,000</td>
<td>4,433,000</td>
</tr>
</tbody>
</table>

---

4 RSM Bird Cameron Control Premium Study – September 2010.
A.7. **Assessment as to Fairness**

In Section A.2.8 we valued Strategic in a range of $4,184,000 to $4,288,000 before the Proposed Transactions, a mid point of $4,236,000.

In Section A.6 we assessed the value of the Strategic shareholders 5.23% minority interests to be in a range of $3,730,000 to $5,179,000 (mid point $4,433,000) after the Proposed Resolve Transaction.

As the mid point value of the Strategic shareholders minority interests after the completion of the Proposed Resolve Transaction ($4,433,000) is greater than the mid point value of their interests before the Proposed Resolve Transaction ($4,236,000) we have concluded that the Proposed Resolve Transaction is **fair**.

A.8. **Other Considerations**

Prior to deciding whether to approve or reject the Proposed Resolve Transaction the Strategic shareholders should also consider the following factors:

- In Section A.7 above we concluded that the Proposed Resolve Transaction is **fair** and therefore it is reasonable.

- We consider that the Strategic shareholders should also take into consideration the following matters:
  - We are aware that a proposed capital raising of up to 33,333,333 shares at $0.60 per share will take place if the Proposed Resolve Transaction is approved by the Strategic shareholders. This capital raising places a $0.60 per share value on each of the Strategic shares on issue and this therefore values the Strategic shareholders 6,900,032 shares at approximately $4,140,000.
  - If the proposed capital raising (Resolution 7) is successful we would expect the liquidity in the market for Strategic shares to improve.
  - The capital being raised is required to fund the exploration program already planned by Resolve.
  - The Strategic shareholders will lose control of Strategic and their interest in Strategic’s cash will be severely diluted.
  - The Proposed Resolve Transaction will result in a change of Strategic’s business to coal exploration. The coal industry is currently enjoying boom conditions with historically strong prices.
  - The valuation of Resolve’s coal assets reflects their relatively early exploration stage. Should planned exploration prove the existence of commercially recoverable coal reserves, there is a substantial upside in the value of these mineral assets.
  - We have assessed the fairness of the Proposed Resolve Transaction based on the assumption that the performance hurdle will be achieved. If this hurdle is achieved by 30 September 2014 then it should add considerable value to the coal interests and this will improve the fairness of the Proposed Resolve Transaction as far as the Strategic shareholders are concerned. If the performance hurdle is not achieved by 30 September 2014 then the performance shares and options...
will not be issued and the Strategic shareholders interests will be 7% of total issued capital.

- Strategic shareholders will be exposed to the risks associated with coal exploration and, potentially, coal mining.

- If the Proposed Resolve Transaction is not approved then the shareholders will be left with their interests in an illiquid shell company with approximately $4 million of cash. The directors will then have to identify a new project to acquire if Strategic is to remain as a listed company. In the present economic environment this process will take a considerable amount of time during which the administrative and other investigation costs will dissipate cash reserves.

A.9. Conclusion as to Fairness and Reasonableness

After reviewing the results of our assessment of the fairness of the Proposed Resolve Transaction set out in Section A.7 and after considering the ‘other considerations’ set out in Section A.8, we consider that the Proposed Resolve Transaction is fair and reasonable.
Part B – Proposed Fisher Graham Wealth Transaction

B.1 Fisher Graham Wealth - Key Information

B.1.1 Background

(a) Strategic acquired its interest in Fisher Graham Wealth in March 2009 via a subscription to Class A and Class B shares for the sum of $100,100.

(b) In June 2009 Geelong Wealth Management Group Pty Ltd (“GWMG”), a wholly-owned subsidiary of Fisher Graham Wealth, acquired the ‘Client Book’ of Victorian Families Retirement & Investment Group Pty Ltd for the sum of $493,200, later reduced to $246,600. In September 2009 GWMG acquired a further ‘Client Book’ from Iris Financial Group Geelong for the sum of $609,804.

(c) In October 2009, Fisher Graham Wealth acquired a 60% interest in Fisher Graham Wealth Private Pty Ltd for the sum of $14,400. Fisher Graham Wealth Private Pty Ltd is the holder of a Financial Services Licence.

(d) As part of the Proposed Transactions Strategic will dispose of its interests in Fisher Graham Wealth for $1.00 plus a payment of $620,000 in full satisfaction of all debts owed by Fisher Graham Wealth to Strategic with the balance of the debt forgiven - total consideration is $620,001.

B.1.2 Share Capital

At the date of this report Fisher Graham Wealth had on issue 10,000,000 Class A shares and 5,000,000 Class B shares and they were owned as follows:

- **Strategic Pooled Development Limited**
  - Class A shares - 7,000,000 - 70%
  - Class B shares - 2,750,000 - 55%

- **El Shaddai Holdings Pty Ltd**
  - Class A shares - 1,500,000 - 15%
  - Class B shares - 1,125,000 - 22.5%

- **Andjactom Pty Ltd ATF the Levitt Family Trust**
  - Class A shares - 1,500,000 - 15%
  - Class B shares - 1,125,000 - 22.5%

- **Fisher Graham Wealth Pty Ltd**
  - Class A shares - 10,000,000
  - Class B shares - 5,000,000

The Proposed Fisher Graham Wealth Transaction would involve the transfer of the Strategic interests to Fisher Graham Group Pty Ltd, a company owned by Messrs Sedgman and Walker, directors of Strategic.

B.1.3 Operating Performance

The Fisher Graham Wealth statements of comprehensive income for the financial years ended 30 June 2009, 2010 and 2011 are as follows:
Summary of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>167</td>
<td>841</td>
<td>875</td>
</tr>
<tr>
<td>AAP dividends</td>
<td>-</td>
<td>-</td>
<td>11,776</td>
</tr>
<tr>
<td>Commissions received</td>
<td>-</td>
<td>222,702</td>
<td>244,319</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>167</td>
<td>223,543</td>
<td>256,970</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>(100)</td>
<td>(800)</td>
</tr>
<tr>
<td>Commissions paid and salaries</td>
<td>(49,060)</td>
<td>(264,300)</td>
<td>(235,937)</td>
</tr>
<tr>
<td>Office expenses</td>
<td>(2,429)</td>
<td>(21,543)</td>
<td>(44,435)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(680)</td>
<td>(15,346)</td>
<td>(31,385)</td>
</tr>
<tr>
<td>Other</td>
<td>(14,918)</td>
<td>(78,848)</td>
<td>(25,124)</td>
</tr>
<tr>
<td>Interest</td>
<td>(1,238)</td>
<td>(66,693)</td>
<td>(113,568)</td>
</tr>
<tr>
<td>Amortisation – Clients books</td>
<td>-</td>
<td>(81,750)</td>
<td>(171,629)</td>
</tr>
<tr>
<td>Amortisation – FSL Licence</td>
<td>-</td>
<td>(14,398)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>(68,325)</td>
<td>(542,978)</td>
<td>(622,878)</td>
</tr>
<tr>
<td><strong>Profit/(loss) before income tax expense</strong></td>
<td>(68,158)</td>
<td>(319,435)</td>
<td>(365,908)</td>
</tr>
</tbody>
</table>

B.1.4 Net Assets

Fisher Graham Wealth's net assets as at 30 June 2009, 2010 and 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Audited 30 June 2009 $</th>
<th>Audited 30 June 2010 $</th>
<th>Audited 30 June 2011 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>44,303</td>
<td>93,325</td>
<td>70,287</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>394</td>
<td>-</td>
<td>6,030</td>
</tr>
<tr>
<td>Other current assets</td>
<td>-</td>
<td>-</td>
<td>22,100</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>44,697</td>
<td>93,325</td>
<td>70,287</td>
</tr>
<tr>
<td><strong>NON CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>-</td>
<td>3,906</td>
<td>4,676</td>
</tr>
<tr>
<td>Client book - net</td>
<td>493,200</td>
<td>774,654</td>
<td>620,000</td>
</tr>
<tr>
<td><strong>TOTAL NON CURRENT ASSETS</strong></td>
<td>493,200</td>
<td>778,560</td>
<td>624,676</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>537,897</td>
<td>871,885</td>
<td>723,093</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>8,172</td>
<td>29,017</td>
<td>28,631</td>
</tr>
<tr>
<td>Employee provisions</td>
<td>16,815</td>
<td>23,961</td>
<td>16,815</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>-</td>
<td>786</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings</td>
<td>246,600</td>
<td>121,961</td>
<td>-</td>
</tr>
<tr>
<td>Related party borrowings (before the adjustment for debt forgiveness)</td>
<td>251,238</td>
<td>1,000,843</td>
<td>1,347,804</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>522,825</td>
<td>1,176,298</td>
<td>1,393,250</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>15,072</td>
<td>(304,413)</td>
<td>(670,157)</td>
</tr>
</tbody>
</table>
B.2 Valuation of Fisher Graham Wealth

B.2.1 Valuation Multiples for ASX Listed Companies in the Financial Services Sector

The normalized financial planning/accounting practice multiples in respect of ASX listed companies in this sector as at 25 July 2011 are as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>ASX Ticker</th>
<th>EBIT Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>DKN Financial Group</td>
<td>DKN</td>
<td>9.6</td>
</tr>
<tr>
<td>Prime Financial</td>
<td>PFG</td>
<td>5.7</td>
</tr>
<tr>
<td>Count Financial</td>
<td>COU</td>
<td>7.4</td>
</tr>
<tr>
<td>WHK Group</td>
<td>WHG</td>
<td>8.1</td>
</tr>
<tr>
<td>Fiducian Portfolio</td>
<td>FPS</td>
<td>5.1</td>
</tr>
<tr>
<td>Plan B</td>
<td>PLB</td>
<td>6.4</td>
</tr>
<tr>
<td>Snowball Group</td>
<td>SNO</td>
<td>N/M</td>
</tr>
<tr>
<td>Treasury Group</td>
<td>TRG</td>
<td>N/M</td>
</tr>
<tr>
<td>Equities and Freeholds</td>
<td>EQF</td>
<td>N/M</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td><strong>7.1</strong></td>
</tr>
</tbody>
</table>

B.2.2 The above multiples are ASX listed entity multiples and represent the multiples for the sale of minority interest parcels of shares. To extrapolate the average multiple of 7.1 to a control multiple for an unlisted entity, we consider that the following adjustments should be applied:

(a) reduce the multiple by 30% for an unlisted company – 7.1 x (1 - 30%) = 4.9
(b) increase the 4.9 multiple for a control premium of say 25% = 6.2

Based on the above, an EBIT multiple up to 6.2 may be considered if we were to value a financial planning practice based on the capitalization of future maintainable earnings.

B.2.3 Industry Valuation Methodologies for Financial Planning Practices

Past sales prices of financial planning practices are a good indicator of the underlying value of a financial planning practice. We have reviewed a number of current valuations of financial planning practices prepared by financial planning practice brokers, reviewed the broker newsletters, discussed the current market conditions with a leading practice broker and the following points have been noted:

(a) valuations based on a multiple of EBIT are generally applicable when valuing the larger financial planning practices.

(b) Kenyon Partners\(^6\) reports that average EBIT multiples for practices sold in the 2010/2011 financial year were in a range of 5.5 to 6.0.

(c) valuations for the smaller practices are generally based on a multiple of recurring revenue and Alan Kenyon reports that average recurring multiples for practices sold in the 2010/2011 financial year were in a range of 3.0 to 3.3. Multiples will vary depending on the state in which they operate and the degree of profitability.

---

\(^5\) Control premiums are normally in a range of 20% to 30% above the value of a minority share – RSM Bird Cameron Control Premium Study – September 2010.

\(^6\) Kenyon Partners is a specialist consulting firm that acts as advisors to Australian financial services businesses that want to sell, buy, merge or expand. The above information was partially obtained from Kenyon Prenderville's October 2010 newsletter titled 'Market Commentary 2009/2010 Financial Year' and from discussions with Mr. A. Kenyon held on 25 July 2011.
(d) risk insurance businesses have been priced at a premium (say 3.5 times recurring revenues), however this may alter post the Future of Financial Advice reforms.

(e) for most practices under a sale price of say $2.0 million, a purchaser could buy an unprofitable business and then move the acquired business into their existing operation and achieve a large number of cost savings and general efficiencies.

B.2.4 Fisher Graham Wealth – Recurring Revenues and EBIT

We discussed the Fisher Graham Wealth Statement of Comprehensive Income (Section B.1.3 above) with Mr J Walker and we made various adjustments to determine the recurring revenues and the future maintainable EBIT as follows:

<table>
<thead>
<tr>
<th>Summary of Comprehensive Income</th>
<th>Audited Year Ended 30 June 2010 $</th>
<th>Audited Year Ended 30 June 2011 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAP dividends</td>
<td>-</td>
<td>11,776</td>
</tr>
<tr>
<td>Commissions received</td>
<td>222,702</td>
<td>244,319</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>222,702</td>
<td>256,095</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(100)</td>
<td>(800)</td>
</tr>
<tr>
<td>Commissions paid and salaries</td>
<td>(264,300)</td>
<td>(235,937)</td>
</tr>
<tr>
<td>Office expenses</td>
<td>(21,543)</td>
<td>(44,435)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(15,346)</td>
<td>(31,385)</td>
</tr>
<tr>
<td>Other</td>
<td>(78,848)</td>
<td>(25,124)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>(380,137)</td>
<td>(337,681)</td>
</tr>
<tr>
<td><strong>Profit/(loss) before income tax expense</strong></td>
<td>(157,435)</td>
<td>(81,586)</td>
</tr>
</tbody>
</table>

Funds under management $62 million
Recurring revenues $240,000
EBIT 2010 $(157,435)
EBIT 2011 $(81,586)

B.2.5 Based on the above analysis we consider that the recurring revenues are approximately $240,000. We discussed the client base together with the number of new clients in the last 12 months and we consider that a multiple of 2.5 to 2.75 should be applied to our estimate of the recurring revenues. On this basis we would value the Fisher Graham Wealth business in a range of $600,000 to $660,000.

B.2.6 As Fisher Graham Wealth has not generated a positive EBIT in either of the last 2 financial years, we consider that the capitalisation of future earnings is not an appropriate valuation methodology to use to value Fisher Graham Wealth.

B.2.7 If the business was sold to an independent third party for $600,000 to $660,000, then this would result in the following amounts being available for Fisher Graham Wealth to repay the Strategic loan:
In the above calculations we have made a provision for future trading losses through to the proposed settlement date (the business in currently losing approximately $6,500 per month) together with a fee of $35,000 for the sale of the business.

If the business was sold for the above prices then there would be between $598,971 and $659,471 left to distribute to Strategic to repay part of its loan.

### B.3 Assessment as to Fairness

#### B.3.1
In Section B.2.5 we valued the business of Fisher Graham Wealth on the basis of an arms length sale to a third party in a range of $600,000 to $660,000. If the Fisher Graham Wealth business was sold at either of these prices then Fisher Graham Wealth Pty Ltd would have a total of between $598,971 and $659,471 left to distribute to Strategic to repay part of its loan.

#### B.3.2
In Section B.1.1(d) we determined that the sale price of the Strategic interests in Fisher Graham Wealth was $620,001. As the value of the sale price in within our valuation of Fisher Graham Wealth ($598,971 and $659,471), we consider that the Proposed Fisher Graham Wealth Transaction is fair.
B.4 Other Considerations

Prior to deciding whether to approve or reject the Proposed Fisher Graham Wealth Transaction the Non-Associated Shareholders should also consider the following factors:

- In Section B.3 above we concluded that the Proposed Fisher Graham Wealth Transaction is fair.

- As the Proposed Fisher Graham Wealth Transaction is fair it is also considered to be reasonable, however we consider that the Strategic shareholders should also take into consideration the following matters if the Proposed Fisher Graham Wealth Transaction proceeds:
  - The sale of Fisher Graham Wealth will leave the ASX listed entity with cash and no ongoing business in the financial services industry. It will also stop the losses from this business;
  - The sale of Fisher Graham Wealth is occurring at a time when the impact of the proposed Future of Financial Advice Reforms\(^7\) is still uncertain. Some of the following reform principles may have a detrimental impact on the Fisher Graham Wealth income and expenses:
    - Financial advice must be in the client’s best interests – distortions to remuneration, which misalign the best interests of the client and the adviser, should be minimised;
    - Ban on commissions or volume payments from any financial services business related to the distribution and provision of advice for retail financial products;
    - Ban on asset-based fees in relation to geared products and investment amounts;
    - New advisor charging regime;
    - More effective disclosure;
    - Ban on advisers being paid by the product providers – advisers will need to be paid by their clients;
    - Advisers will have to send an annual review notice to their clients when they provide an ongoing service, providing the client with the opportunity to opt-in to continue receiving the service. ‘Opt-in’ arrangements will not apply retrospectively to an existing contract;
  - If the Proposed Fisher Graham Wealth Transaction is not approved then the Non-Associated Shareholders should recognise that:
    - The new directors of Strategic will dispose of the business and the terms of the sale may not be as favourable as determined in the above analysis.

B.5 Assessment of Fairness and Reasonableness

After reviewing the results of our assessment of the fairness of the Proposed Fisher Graham Wealth Transaction set out in Section B.3 and after considering the significant factors set out in Section B.4, we consider that the Proposed Fisher Graham Wealth Transaction is both fair and reasonable.

Part C - Financial Services Guide

C.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

C.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

C.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity (“Entity”). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate’s independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

C.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

C.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Mr Paul Lom has any interest in the outcome of the Proposed Transactions, nor any relationship with Strategic, Fisher Graham Wealth, Fisher Graham Group Pty Ltd or Resolve.

DMR Corporate prepared a draft report dated 9 August 2011 based on the original Resolve consideration figures referred to in footnote 1 on page 1 of this report and we concluded that the Proposed Resolve Transaction was not fair. We have been advised that due to recent equity market volatility this transaction was not proceeded with and the terms of the Resolve acquisition and the capital raising were renegotiated.
Drafts of this report were provided to and discussed with the Directors of Strategic and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate and its related entities do not have any shareholding in or other relationship with Strategic, Fisher Graham Wealth, Fisher Graham Group Pty Ltd or Resolve that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transactions.

DMR Corporate had no part in the formulation of the Proposed Transactions. Its only role has been the preparation of this report and the preparation of an Investigating Accountants Report which will be included in the proposed Prospectus.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

C.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately $64,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

C.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd

Paul Lom
Director

Derek Ryan
Director

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### Strategic Pooled Development Limited

#### Statements of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>305,277</td>
<td>1,180,825</td>
<td>477,680</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(5,500)</td>
<td>(6,100)</td>
<td>(4,421)</td>
</tr>
<tr>
<td>Employee benefits expenses</td>
<td>(279,896)</td>
<td>(496,661)</td>
<td>(468,934)</td>
</tr>
<tr>
<td>Office and occupancy expenses</td>
<td>(57,123)</td>
<td>(70,258)</td>
<td>(84,692)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(68,946)</td>
<td>(84,903)</td>
<td>(94,195)</td>
</tr>
<tr>
<td>Adjustment to fair value of investments through the profit or loss</td>
<td>(791,350)</td>
<td>-</td>
<td>(332,479)</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>-</td>
<td>(56,238)</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation of client book</td>
<td>-</td>
<td>(81,750)</td>
<td>(76,300)</td>
</tr>
<tr>
<td>Impairment of client book</td>
<td>-</td>
<td>(246,600)</td>
<td>(95,329)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-</td>
<td>(955)</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(77,122)</td>
<td>(98,712)</td>
<td>(171,682)</td>
</tr>
<tr>
<td><strong>Profit/(loss) before income tax expense</strong></td>
<td>(974,660)</td>
<td>38,648</td>
<td>(850,352)</td>
</tr>
<tr>
<td>Income tax credit/(expense)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit/(loss) for the period</strong></td>
<td>(974,660)</td>
<td>38,648</td>
<td>(850,352)</td>
</tr>
<tr>
<td>Other comprehensive income for the year, net of tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income/(loss) for the period</strong></td>
<td>(974,660)</td>
<td>38,648</td>
<td>(850,352)</td>
</tr>
<tr>
<td><strong>Profit/(loss) and total comprehensive income attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent entity</td>
<td>(954,584)</td>
<td>104,681</td>
<td>(738,702)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(20,076)</td>
<td>(66,033)</td>
<td>(111,650)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(974,660)</td>
<td>38,648</td>
<td>(850,352)</td>
</tr>
</tbody>
</table>

Source: Strategic 2010 and 2011 Annual Reports
Strategic Pooled Development Limited

Cash Flow Statements

<table>
<thead>
<tr>
<th>Year Ended 30 June</th>
<th>Audited Year Ended</th>
<th>Audited Year Ended</th>
<th>Audited Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 $</td>
<td>2010 $</td>
<td>2011 $</td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from operations</td>
<td>98,569</td>
<td>334,530</td>
<td>332,437</td>
</tr>
<tr>
<td>Payments to suppliers &amp; employees</td>
<td>(498,487)</td>
<td>(731,674)</td>
<td>(704,481)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>167</td>
<td>42,435</td>
<td>82,915</td>
</tr>
<tr>
<td>Interest received</td>
<td>200,862</td>
<td>106,647</td>
<td>59,173</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>(198,889)</td>
<td>(248,062)</td>
<td>(229,956)</td>
</tr>
</tbody>
</table>

Cash flows from investing activities

| Purchase of listed investments designated as being at fair value through profit or loss | (508,220) | (1,753,183) | (1,850,946) |
| Purchase of property, plant & equipment | (1,807) | (4,152) | (3,314) |
| Purchase of intangible assets | (246,600) | (487,843) | (138,936) |
| Payment for subsidiary, net of cash acquired | (16,870) | (14,398) | - |
| Return of capital – listed investments designated at fair value through profit or loss | - | 16,000 | - |
| Net cash provided by (used in) investing activities | (773,497) | (1,685,928) | 850,070 |

Cash flows from financing activities

| Advance from minority interest | - | 8,000 | - |
| Proceeds from issue of shares | 934,375 | - | - |
| Net cash provided by (used in) financing activities | 934,375 | 8,000 | - |

Net increase (decrease) in cash held

| (38,011) | (1,925,990) | 620,114 |

Cash at start of period

| 3,557,483 | 3,519,472 | 1,593,482 |

Cash at end of period

| 3,519,472 | 1,593,482 | 2,213,596 |

Source: Strategic 2010 and 2011 Annual Reports
Strategic Pooled Development Limited

Statements of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>Audited 30 June 2009</th>
<th>Audited 30 June 2010</th>
<th>Audited 30 June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,519,472</td>
<td>1,593,482</td>
<td>2,213,596</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>24,010</td>
<td>16,017</td>
<td>14,767</td>
</tr>
<tr>
<td>Investments</td>
<td>551,957</td>
<td>1,563,900</td>
<td>1,277,874</td>
</tr>
<tr>
<td>Intangibles</td>
<td>-</td>
<td>-</td>
<td>620,000</td>
</tr>
<tr>
<td>Other current assets</td>
<td>6,222</td>
<td>6,864</td>
<td>17,182</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>4,101,661</td>
<td>3,180,263</td>
<td>4,143,419</td>
</tr>
<tr>
<td><strong>NON CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>415,460</td>
<td>1,038,773</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>7,731</td>
<td>5,783</td>
<td>4,676</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>535,040</td>
<td>774,654</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL NON CURRENT ASSETS</strong></td>
<td>958,231</td>
<td>1,819,210</td>
<td>4,676</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>5,059,892</td>
<td>4,999,473</td>
<td>4,148,095</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>66,864</td>
<td>87,741</td>
<td>207,297</td>
</tr>
<tr>
<td>Employee provisions</td>
<td>62,635</td>
<td>59,326</td>
<td>60,705</td>
</tr>
<tr>
<td>Borrowings</td>
<td>246,600</td>
<td>129,961</td>
<td>8,000</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>376,099</td>
<td>277,028</td>
<td>276,002</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>376,099</td>
<td>277,028</td>
<td>276,002</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>4,683,793</td>
<td>4,722,445</td>
<td>3,872,093</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>5,471,876</td>
<td>5,471,876</td>
<td>5,471,876</td>
</tr>
<tr>
<td>Accumulated (loss)</td>
<td>(792,977)</td>
<td>(688,296)</td>
<td>(1,426,998)</td>
</tr>
<tr>
<td>Parent interest</td>
<td>4,678,899</td>
<td>4,783,580</td>
<td>4,044,878</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>4,894</td>
<td>(61,135)</td>
<td>(172,785)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>4,683,793</td>
<td>4,722,445</td>
<td>3,872,093</td>
</tr>
</tbody>
</table>

Source: Strategic 2010 and 2011 Annual Reports
Appendix B

Strategic Pooled Development Limited

Sources of Information

- The Explanatory Memorandum which this report accompanies
- Audited financial statements of Strategic for the financial years ended 30 June 2009, 2010 and 2011
- Strategic’s announcements to the ASX since 1 January 2010
- Strategic share price summaries supplied by Capital IQ and Commonwealth Securities
- ASIC historical extracts for Strategic, Resolve Coal Pty Ltd, Resolve Geo Pty Ltd, Fisher Graham Wealth and Fisher Graham Group Pty Ltd
- Listing of Strategic’s top 20 shareholders as at 30 June 2011
- Information on comparable companies sourced from the ASX and Commonwealth Securities web sites
- Resolve’s management accounts as at 4 July 2011
- Resolve Geo Pty Ltd and Resolve Coal Pty Ltd Asset Sale Agreement dated 4 July 2011
- Fisher Graham Wealth Pty Ltd - Shareholders Agreement dated 26 February 2009
- Fisher Graham Wealth management accounts for the year ended 30 June 2011
- Valuation report prepared by Global Resources & Infrastructure dated 1 August 2011
- Industry research material from the Australian Coal Industry, ABARES, Capital IQ, Commonwealth Bank and AustCoal Consulting Alliance
- Draft Notice of General Meeting re the Proposed Transactions and draft Prospectus for the proposed capital raising
Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the directors of Strategic pursuant to Section 611 of the Act and Chapter 10 of the ASX Listing Rules to accompany the notice of meeting of shareholders to approve the Proposed Transactions. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transactions are fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

Global Resources & Infrastructure Pty Ltd was paid a fee of $53,625 for the preparation of its specialist technical report. Global Resources & Infrastructure Pty Ltd consented to the inclusion of statements made by it, or based on statements made by it, or statements or information extracted or derived from its report titled “Review and Valuation of the Mineral Assets of Resolve Coal Pty Ltd” dated 8 August 2011:

(a) in the form and context in which they are included; and

(b) to all references to that information in the form and context in which it appears.

2. Qualifications

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 40 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Chartered Accountant and a Registered Company Auditor with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.
Review and Valuation of the Mineral Assets
of
Resolve Coal Pty Ltd

Prepared for
DMR Corporate Pty Ltd
by
Global Resources & Infrastructure Pty Ltd

This report has been prepared at the request of DMR Corporate Pty Ltd. The purpose of this report is to provide information to DMR Corporate Pty Ltd to assist it in providing an analysis and view to the Directors, management and ordinary shareholders of Strategic Pooled Developments Limited relating to that Company’s in principle decision to purchase all the shares in Resolve Coal Pty Ltd, an Australian private company and to acquire the services of certain directors of that company.

The report, prepared by Global Resources & Infrastructure Pty Ltd, has determined values for the mineral assets of Resolve Coal Pty Ltd. These valuations are based on information supplied by management, directors and staff of, and consultants to, Resolve Coal Pty Ltd; consultants reports based on investigations into various assets belonging to Resolve Coal Pty Ltd; publicly available information and reviews of data collected, collated and assessed by consultants to Resolve Coal Pty Ltd.

This report may accompany commentary provided by DMR Corporate Pty Ltd on their opinions with regard to the transaction.

The report has been completed in accordance with the terms and conditions described herein and set forth in our agreement with DMR Corporate Pty Ltd.

8 August 2011
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1. **INTRODUCTION**

Resolve Coal Pty Ltd (“Resolve”) is a private company whose principal minerals assets are interests in eight coal tenements and one competitive application for another tenement in Queensland, Australia and four coal tenements in British Columbia, Canada. Resolve is owned by Saul Geological Pty Limited (“Saul Geological”).

Strategic Pooled Development Limited (“Strategic”) is a public company whose shares are listed on the Australian Securities Exchange (“ASX”). Strategic has entered into a conditional share and option exchange agreement with Saul Geological and others to acquire all of the issued shares and employee options in Resolve.

The consideration for the transaction is the issue of 111,302,007 fully paid ordinary shares in Strategic to Saul Geological and the issue of 47,864,658 employee options exercisable at a nil exercise price for fully paid ordinary shares in Strategic.

In conjunction with the proposed transaction, Strategic proposes to raise a minimum of $20 million and up to $25 million by the issue of fully paid ordinary shares pursuant to a public offer under a prospectus to be lodged with Australian Securities and Investments Commission (“ASIC”).

As the proposed transaction constitutes a change in nature and scale of the activities of Strategic, Strategic is required to obtain shareholder approval for the transaction and to re-comply with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

On completion of the transaction, a number of current Resolve directors will become directors of Strategic.

Strategic has engaged DMR Corporate Pty Ltd (“DMR Corporate”) to prepare an Independent Expert’s Report (“IER”) in relation to the proposed transaction between Strategic and Saul Geological and others. DMR Corporate has requested that Global Resources & Infrastructure Pty Ltd (“GRI”) act as a Specialist to undertake an independent review of these coal assets for attachment to its report to Strategic.
2. SUMMARY AND VALUATION

2.1. EXECUTIVE SUMMARY

- All of the assets owned by Resolve are exploration projects which will require significantly more exploration and evaluation work to be undertaken before a decision may be made to commit to development of the projects.
- Nine of its projects are located in Queensland within the Galilee, Bowen and Eromanga Basins. Of these, the six tenements located within the Galilee Basin are regarded as Thermal coals, the two tenements in the Bowen Basin are PCI/Coking coals and the Eromanga Basin tenement is most probably a Thermal coal.
- The four tenements located in the Peace River coalfield, which is found in the British Columbian North East Basin, BC Canada, which is regarded as being a mature coking coal basin and is still regarded as holding many opportunities for the acquisition of high quality assets. Resolve owns 100% of each tenement.
- Based on our knowledge of Resolve’s management team we expect that the ongoing exploration and potential development of each project will be well managed and properly funded.
- Resolve has developed a detailed programme of exploration and appraisal for its assets, which it expects will significantly upgrade several of its tenements to JORC compliant resources during the next twelve months.
- The estimated value of Resolve’s tenements lies in the range $88.2 million to $114.2 million.

2.2. VALUATION

We have undertaken an assessment of those coal exploration tenements owned by Resolve and estimated a value for these assets, which is the aggregate of the estimated fair market value of the company’s mineral assets, as at the date of this report. We have estimated that their value lies in the range $88.2 million to $114.2 million.

Table 1 provides our valuation estimates and the valuation method for the exploration assets of Resolve. Each of the valuation methods used in this report is discussed in detail in Section 3.2.

Table 1: Summary - Valuation of Resolve Tenements

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Name</th>
<th>Basin</th>
<th>Coal Type</th>
<th>Interest</th>
<th>Valuation Method</th>
<th>Value Low</th>
<th>Value High</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC 1663</td>
<td>Pigeonhole Creek</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$7.0m</td>
<td>$7.8m</td>
</tr>
<tr>
<td>EPC 1754</td>
<td>Bully Creek</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$5.7m</td>
<td>$6.4m</td>
</tr>
<tr>
<td>EPCA 2050</td>
<td>Row Creek</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$2.9m</td>
<td>$3.3m</td>
</tr>
<tr>
<td>EPCA 2341</td>
<td>Sandlands Creek</td>
<td>Galilee</td>
<td>Thermal</td>
<td>N/A(1)</td>
<td>N/A(1)</td>
<td>N/A(1)</td>
<td>N/A(1)</td>
</tr>
<tr>
<td>EPC 1857</td>
<td>Lake Powlathanga</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$5.3m</td>
<td>$5.9m</td>
</tr>
<tr>
<td>EPCA 1969</td>
<td>Trafalgar</td>
<td>Galilee</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$2.9m</td>
<td>$3.3m</td>
</tr>
<tr>
<td>EPC 1954</td>
<td>Jeffries Creek</td>
<td>Bowen</td>
<td>Thermal/PCI/Coking</td>
<td>100%</td>
<td>JVT</td>
<td>$4.5m</td>
<td>$5.5m</td>
</tr>
<tr>
<td>EPCA 2618</td>
<td>Gindie</td>
<td>Bowen</td>
<td>Thermal/PCI/Coking</td>
<td>100%</td>
<td>JVT</td>
<td>$4.5m</td>
<td>$5.5m</td>
</tr>
<tr>
<td>EPC 1673</td>
<td>Sherwood Park</td>
<td>Eromanga</td>
<td>Thermal</td>
<td>100%</td>
<td>CT</td>
<td>$3.3m</td>
<td>$3.7m</td>
</tr>
</tbody>
</table>

Queensland, Australia

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Name</th>
<th>Basin</th>
<th>Coal Type</th>
<th>Interest</th>
<th>Valuation Method</th>
<th>Value Low</th>
<th>Value High</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLA 417875</td>
<td>Mt Spieker South</td>
<td>B.C.</td>
<td>Coking</td>
<td>100%</td>
<td>CT</td>
<td>$1.4m</td>
<td>$2.9m</td>
</tr>
<tr>
<td>CLA 417876</td>
<td>Mt Spieker North</td>
<td>B.C.</td>
<td>Coking</td>
<td>100%</td>
<td>CT</td>
<td>$0.5m</td>
<td>$1.0m</td>
</tr>
<tr>
<td>CLA 417873</td>
<td>Adams &amp; Adams West</td>
<td>B.C.</td>
<td>Coking</td>
<td>100%</td>
<td>CT</td>
<td>$9.7m</td>
<td>$19.4m</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$88.2m</strong></td>
<td><strong>$114.2m</strong></td>
</tr>
</tbody>
</table>

**NOTE:** (1) EPCA 2341 is the subject of a competitive bid by five companies. Until Resolve Coal Pty Ltd is advised by the Queensland Government that it has been awarded the “priority applicant” GRI cannot apply an ownership value to this tenement.

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3. METHODOLOGY AND APPROACH

3.1. INTRODUCTION

The purpose of this report is to provide a technical assessment and valuation of Resolve’s coal assets located in Queensland and British Columbia. In providing our valuations of the tenements we have adhered to the requirements of the Valmin Code (2005) of the Australasian Institute of Mining and Metallurgy (“The AusIMM”).

In general, a valuation is derived by considering a technical value, reflecting the assessed future net economic benefit of the project, which can be adjusted by way of a premium or discount, for given market and other conditions presently applicable to determine a fair market value. With this in mind, the application of standard valuation methodologies, while possible, may not indicate a realisable value, as the ability of a potential purchaser to use the asset for commercial advantage or otherwise gain from its ownership, may not be achievable.

In particular, in reviewing the tenements located in the Galilee Basin, Queensland, we recognise that the “value or fair market value” as defined in the Valmin Code is difficult to determine as the potential values of these assets are totally dependent on the development of sufficient infrastructure that will enable the transportation of these coals to export facilities. Accordingly, while it is feasible to apply valuation methods that are generally used for early stage exploration projects, it is important to recognise that those methods do not, nor are they intended to, identify the potential commerciality of a development of that asset.

GRI has not been engaged to provide independent verification of the coal endowment resources figures provided by Resolve that have been mentioned in this report. GRI has not used any of these coal resource endowment figures relating to the Australian tenements of Resolve in our valuation estimations but has made use of these figures in our valuation of the BC Canada tenements since information in general relating to BC properties is difficult to obtain and our evaluations indicated that coal endowment estimations appears to be a method often used in this region for assessing value. Where GRI has quoted resources figures relating to other projects we have obtained these numbers from the public domain and we have credited the sources of our information.

For the purposes of this report, and in considering that Resolve is an unlisted, privately owned company whose assets are not generally known it is advised that several of the Queensland tenements have been visited by Ian Buckingham during the past three years. Additionally, Mr Buckingham was involved several years ago in valuing the BC coal assets of a major Canadian coal producer from the Peace River Coalfield and has visited the general region during the last four years. Furthermore, we held discussions with Resolve’s geological and corporate management who supplied GRI with considerable information for which we express our gratitude.

All references to dollars within this report are to Australian Dollars except where otherwise identified.

3.2. VALUATION METHODS

3.2.1. SUMMARY

The commonly used valuation methods for mineral assets that we have considered, and/or adopted where appropriate, to determine the value of the tenements includes:

- The Net Present Value Of Future Cash Flows Method
- The Multiple Of Exploration Expenditure Method
- Joint Venture Terms
- In Situ Values Method
- Comparable Transactions Method
- The Alternative Acquirer Method

3.2.2. NET PRESENT VALUE OF FUTURE CASH FLOWS METHOD - (NPV)

The Net Present Value method is based on the premise that the value of a business is the net present value of its future discounted cash flows. In the mining business, this method requires assessment of:

- mineral reserves and resources;
- the appropriate mining and processing methods to exploit and market those reserves; and
- analyses of future production, production costs, market prices, cash flows, capital requirements and capital costs for the life of the potential reserves.
This technique is particularly appropriate for a minerals investment with defined reserves and resources and is the most common approach to valuation in the minerals industry. GRI did not use this method as Resolve’s assets have not been matured to a sufficient degree where a JORC compliant resource has been determined.

3.2.3. EXPLORATION EXPENDITURE MULTIPLES METHOD - (EEM)

We have not used the “Exploration Expenditure Multiples” method to estimate the realisable (market) value of any tenements. This method is commonly used to assess value for “grass-roots” exploration permits where no JORC classifiable resource has been identified however the method requires that the total historical costs of acquiring and exploring the permit up to the present, plus committed and approved future exploration expenditure due to be expended during the following year is taken as the base. To this is applied an “Exploration Effectiveness Multiplier”, a measure of the usefulness of the expenditure to the development of future exploration programmes and the effective equity interest. With regard to Resolve’s tenements, these are all relatively recently acquired, have had little exploration funds spent on them and for most there is little or no possibility to access historical expenditures.

3.2.4 JOINT VENTURE TERMS - (JVT)

The terms of a joint venture agreement or proposed agreement indicate the value placed on a permit by a (usually) knowledgeable incoming partner who is prepared to invest in the property to earn an interest. This method has to take into consideration the full details of the agreement, particularly the terms under which the incoming partner can withdraw. We have used this method to assess value for two of the Queensland tenements.

3.2.5 IN SITU VALUES METHOD – (ISV)

Where some data on tonnage and grade is available, a discounted subjective profit margin per unit of production is sometimes used based on the valuer's experience and judgement. This works best for simple situations such as gold deposits. With deposits such as coal and iron ore, which may have several process options and for which there is likely to be a very heavy capital influence to project economics GRI has determined that this method is inappropriate and was not used for this report.

3.2.6 COMPARABLE TRANSACTIONS METHOD – (CT)

Comparable transactions relate to the values of reasonably recent transactions for other properties that are judged to be similar and / or in the same region as the property in question. As such transactions are often of a joint-venture nature, it is necessary to discount the apparent value for time and for the probability of the earning expenditure being completed or adjust them for other payments such as royalties to be triggered by successful exploration.

While there have been few transactions involving immature coal exploration properties in Queensland and BC, Canada within the recent past, GRI has used this method for valuing some of the Queensland tenements and all of the BC tenements owned by Resolve.

3.3 MATERIAL ISSUES

The following material issues have been considered by GRI during the valuation process.

3.3.1 NATIVE TITLE

GRI notes that under amendments to the Commonwealth Native Title Act 1993, which were made in 1998, the types of land tenure with which Native title can co-exist were clarified. As a result, Native title procedures do not apply to much of the Galilee and Bowen Basins and access to land for coal development is generally more streamlined than in more remote areas of the State. Resolve has advised that it is not aware of any issues relating to any of its Queensland tenements. Its relationships with the relevant Cultural Heritage parties are in excellent condition. Accordingly, we do not see that exploration and mining activities within any of the Queensland tenements should present any difficulties for the company.

Likewise, in Canada Resolve Coal Licences are under application, and as such are under review by the relevant First Nations, Municipal, Regional, and Provincial agencies. As the coal licences are within the Peace River Coal Field, and adjacent to existing licences, it is not anticipated that there will be any problems that would stop them being granted.

3.3.2 OTHER MATTERS

This report has been prepared in accordance with the requirements of Section 611 of the Act, and embodies the principles outlined in ASIC Regulatory Guide 111 “Content of expert’s reports”. It also conforms to the requirements of the Australasian Institute of Mining and Metallurgy’s VALMIN Code, 2005.
4. RESOLVE COAL PTY LTD

4.1 BACKGROUND AND HISTORY

Resolve Coal Pty Ltd ("Resolve") is a private company that owns coal tenements in Queensland, Australia and British Columbia, Canada. The company was registered as a proprietary company limited by shares on 31 May 2011.

Resolve currently owns twelve coal tenements. Eight of these tenements are located within the Galilee, Bowen and Eromanga basins, Queensland and the remaining four tenements are located within the Peace River Coalfield, British Columbian North East Basin, BC, Canada. Resolve owns 100% interest in each of these tenements which are the subject of the Transaction. In addition, Resolve has applied for EPCA 2341, Sandlands Creek, which is the subject of a competitive bid by five companies and has not yet been advised by the Queensland Government whether it has been awarded the “priority applicant” status.

Every tenement can be considered to represent an early stage or immature exploration project. All of these tenements have been selected by Resolve on the basis that they might, after focused exploration efforts and sufficient funding have been directed towards them, contain sufficient resources to warrant their development as prospective coal operations. Resolve has developed exploration programmes and appropriate budgets that will see significant activities directed towards up-grading the hypothetical coal endowments that have been determined for each tenement.

4.2 COAL TENEMENTS

Resolve holds six Exploration Permits – Coal ("EPC"), has submitted applications for a further three Exploration Permits – Coal (“EPCA”) in Queensland and has applied for four coal licences (“CLA”) in the Peace River coalfield, NE British Columbia.

Table 2: Resolve Permits and Permit Applications

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Name</th>
<th>Basin</th>
<th>Interest (%)</th>
<th>Coal Type</th>
<th>Area (Km²)</th>
<th>Date Applied / Granted</th>
<th>Tenure (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPC 1663</td>
<td>Pigeonhole Creek</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>38.31</td>
<td>26/11/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1754</td>
<td>Bully Creek</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>156.5</td>
<td>29/10/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1857</td>
<td>Lake Powlathanga</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>290.0</td>
<td>26/7/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1969</td>
<td>Trafalgar</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>161.0</td>
<td>21/4/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1954</td>
<td>Jeffries Creek</td>
<td>Bowen</td>
<td>100</td>
<td>PCI/Coking</td>
<td>34.56</td>
<td>4/2/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1673</td>
<td>Sherwood Park</td>
<td>Eromanga</td>
<td>100</td>
<td>Thermal</td>
<td>903.2</td>
<td>29/10/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPCA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPCA 2050</td>
<td>Row Creek</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>79.89</td>
<td>2/2/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPCA 2341</td>
<td>Sandlands Creek</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>124.70</td>
<td>1/2/2011</td>
<td></td>
</tr>
<tr>
<td>EPCA 2618</td>
<td>Gindie</td>
<td>Bowen</td>
<td>100</td>
<td>PCI/Coking</td>
<td>47.17</td>
<td>21/6/2011</td>
<td>5</td>
</tr>
<tr>
<td>CLA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CLA 417875</td>
<td>Mt Speiker South</td>
<td>Peace River</td>
<td>100</td>
<td>Coking</td>
<td>13.27</td>
<td>5/4/2011</td>
<td>30x15</td>
</tr>
<tr>
<td>CLA 417876</td>
<td>Mt Speiker North</td>
<td>Peace River</td>
<td>100</td>
<td>Coking</td>
<td>4.42</td>
<td>5/4/2011</td>
<td>30x15</td>
</tr>
<tr>
<td>CLA 417873</td>
<td>Adams</td>
<td>Peace River</td>
<td>100</td>
<td>Coking</td>
<td>14.41</td>
<td>5/4/2011</td>
<td>30x15</td>
</tr>
<tr>
<td>CLA 417874</td>
<td>Adams West</td>
<td>Peace River</td>
<td>100</td>
<td>Coking</td>
<td>2.88</td>
<td>5/4/2011</td>
<td>30x15</td>
</tr>
</tbody>
</table>

Source: Resolve, July 2011.
### 4.3 Valuation Summary

We have reviewed the coal exploration assets of Resolve and have determined that the following values can be applied to them as at the date of this report (Table 3).

Table 3: Summary of Resolve’s assets valuations

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Permit</th>
<th>Interest</th>
<th>Valuation Method</th>
<th>Low</th>
<th>Preferred/ mid-point</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Queensland</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pigeonhole Creek</td>
<td>EPC 1663</td>
<td>100%</td>
<td>CT</td>
<td>$7.0m</td>
<td>$7.4m</td>
<td>$7.8m</td>
</tr>
<tr>
<td>Bully Creek</td>
<td>EPC 1754</td>
<td>100%</td>
<td>CT</td>
<td>$5.7m</td>
<td>$6.1m</td>
<td>$6.4m</td>
</tr>
<tr>
<td>Row Creek</td>
<td>EPCA 2050</td>
<td>100%</td>
<td>CT</td>
<td>$2.9m</td>
<td>$3.1m</td>
<td>$3.3m</td>
</tr>
<tr>
<td>Sandlands Creek</td>
<td>EPCA 2341</td>
<td>100%</td>
<td>N/A(1)</td>
<td>N/A(1)</td>
<td>N/A(1)</td>
<td>N/A(1)</td>
</tr>
<tr>
<td>Lake Powlathanga</td>
<td>EPC 1857</td>
<td>100%</td>
<td>CT</td>
<td>$5.3m</td>
<td>$5.6m</td>
<td>$5.9m</td>
</tr>
<tr>
<td>Trafalgar</td>
<td>EPC 1969</td>
<td>100%</td>
<td>CT</td>
<td>$2.9m</td>
<td>$3.1m</td>
<td>$3.3m</td>
</tr>
<tr>
<td>Jeffries Creek</td>
<td>EPC1954</td>
<td>100%</td>
<td>JVT</td>
<td>$45.0m</td>
<td>$50.0m</td>
<td>$55.0m</td>
</tr>
<tr>
<td>Gindie</td>
<td>EPCA 2618</td>
<td>100%</td>
<td>JVT</td>
<td>$4.5m</td>
<td>$5.0m</td>
<td>$5.5m</td>
</tr>
<tr>
<td>Sherwood Park</td>
<td>EPC 1673</td>
<td>100%</td>
<td>CT</td>
<td>$3.3m</td>
<td>$3.5m</td>
<td>$3.7m</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td></td>
<td></td>
<td><strong>$76.6m</strong></td>
<td><strong>$83.8m</strong></td>
<td><strong>$90.9m</strong></td>
</tr>
<tr>
<td><strong>British Columbia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mt Spieker South</td>
<td>CLA 417875</td>
<td>100%</td>
<td>CT</td>
<td>$1.4m</td>
<td>$2.2m</td>
<td>$2.9m</td>
</tr>
<tr>
<td>Mt Spieker North</td>
<td>CLA 417876</td>
<td>100%</td>
<td>CT</td>
<td>$0.5m</td>
<td>$0.7m</td>
<td>$1.0m</td>
</tr>
<tr>
<td>Adams &amp; Adams West</td>
<td>CLA 417873 &amp; CLA 417874</td>
<td>100%</td>
<td>CT</td>
<td>$9.7m</td>
<td>$14.6m</td>
<td>$19.4m</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$11.6m</strong></td>
<td><strong>$17.5m</strong></td>
<td><strong>$23.3m</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$88.2m</strong></td>
<td><strong>$101.2m</strong></td>
<td><strong>$114.2m</strong></td>
</tr>
</tbody>
</table>

**NOTE:** (1) EPCA 2341 is the subject of a competitive bid by five companies. Until Resolve Coal Pty Ltd is advised by the Queensland Government that it has been awarded the “priority applicant” GRI cannot apply an ownership value to this tenement.
5 GALILEE BASIN TENEMENTS

5.1 INTRODUCTION

Resolve holds six tenements located within the Galilee Basin. They are listed in Table 4.

Table 4: Resolve Permits and Permit Applications

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Name</th>
<th>Basin</th>
<th>Interest (%)</th>
<th>Coal Type</th>
<th>Area (Km²)</th>
<th>Date Applied / Granted</th>
<th>Tenure (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC 1663</td>
<td>Pigeonhole Creek</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>38.31</td>
<td>26/11/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1754</td>
<td>Bully Creek</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>156.5</td>
<td>29/10/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPCA 2050</td>
<td>Row Creek</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>79.89</td>
<td>2/2/2010</td>
<td>5</td>
</tr>
<tr>
<td>EPCA 2341</td>
<td>Sandlands Creek</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>124.70</td>
<td>1/2/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1857</td>
<td>Lake Powlathanga</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>290.00</td>
<td>26/7/2011</td>
<td>5</td>
</tr>
<tr>
<td>EPC 1969</td>
<td>Trafalgar</td>
<td>Galilee</td>
<td>100</td>
<td>Thermal</td>
<td>161.00</td>
<td>21/4/2011</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Resolve, July 2011.

Given their close proximity to each other within the Galilee Basin, GRI has considered the tenements to represent one geologic region and has grouped them together for discussion and valuation purposes.

5.2 REGIONAL GEOLOGICAL SETTING

The Galilee Basin formed during the late Carboniferous period and is an extensive inland sedimentary basin located in central Queensland encompassing over 247,000km². The formations comprising the Galilee Basin sequence are mostly concealed by younger sediments of the Eromanga Basin, but parts of the stratigraphic sequence outcrop along the east and northeast basin margin. Between the Late Carboniferous and Early Triassic periods, deposition within the Galilee Basin was largely of fluvial origin, and included the Middle to Late Permian-age Betts Creek Beds. The Koburra Trough, in the northeast portion of the Galilee Basin, contains up to 6,000m of sediments ranging from Late Carboniferous to Mid Triassic in age, of which 2,790m of Galilee Basin sediments have been confirmed in Lake Galilee-1, the closest petroleum well to the centre of the trough.

5.3 EPC 1663 (PIGEONHOLE CREEK), EPC 1754 (BULLY CREEK), EPCA 2050 (ROW CREEK) AND EPCA 2341 (SANDLANDS CREEK)

5.3.1 INTRODUCTION

The three tenements, EPC 1663 (Pigeonhole Creek), EPC 1754 (Bully Creek), and EPCA 2050 (Row Creek) are 100% owned by Resolve Coal Pty Ltd. The fourth tenement, EPCA 2341 (Sandlands Creek) is the subject of a recent application to the Queensland Government however, it is currently under competitive application and the Queensland Government is in the process of reviewing the interested parties’ applications. As this tenement is regarded as having significant coal potential there are currently five parties bidding for it. Resolve has not yet advised GRI whether the Government has listed it as the “priority applicant”.

Resolve identified this region as potentially containing a significant coal endowment on the basis of observations that a workable thermal coal section of 39.2 metres had been identified in the View Hill area several kilometres to the south, and that another workable coal section of 24.53m of coal within the Mirtna area to the north was observed. These coal seams were all contained within the Permian Betts Creek Beds.

There are no known statutory restrictions to resource development affecting these tenements nor is there restricted land or endangered regional ecosystems gazetted within the area of the tenements.

The tenements are located approximately 25km north of Adani Mining Pty Ltd’s “Carmichael” mining tenement, and immediately west of Vale Coal Exploration Pty. Ltd’s EPC 926. Ongoing infrastructural development planned by other major mining houses, including a wide gauge, high capacity rail link to the bulk coal handling port of Abbot Point provide a unique opportunity for development.
Table 5: Tenure, EPC 1663, EPC 1754, EPCA 2050 and EPCA 2341, Galilee Basin

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Tenure Number</th>
<th>Status</th>
<th>Date Granted</th>
<th>Date Expires</th>
<th>Principal Holder</th>
<th>No. of Sub-Blocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC</td>
<td>1754</td>
<td>Granted</td>
<td>29 Oct 2010</td>
<td>28 Oct 2015</td>
<td>Resolve Coal Pty. Ltd.</td>
<td>49</td>
</tr>
<tr>
<td>EPCA</td>
<td>2050</td>
<td>Application</td>
<td>Exploration Permit Proposal</td>
<td></td>
<td>Resolve Coal Pty. Ltd.</td>
<td>25</td>
</tr>
<tr>
<td>EPCA</td>
<td>2341</td>
<td>Application</td>
<td>Exploration Permit Proposal</td>
<td></td>
<td>Resolve Coal Pty Ltd</td>
<td>39</td>
</tr>
</tbody>
</table>

5.3.2 LOCATION

The EPC 1754, EPC 2050 and EPCA 2341 tenements are located close to the northeast margin of the Galilee Basin, in central Queensland. The closest major townships are Hughenden and Pentland on the Flinders Highway 130km to the north. The Bully Creek and Row Creek tenements are contiguous with each other and the Sandlands Creek tenement adjoins the northern half of EPCA 2050 Row Creek’s western boundary. These three tenements lie just to the east of Pigeonhole Creek EPC 1663 in the Galilee Basin (Figures 1 & 2).

5.3.3 INFRASTRUCTURE – PORT AND RAIL

The area is well located to take advantage of proposed major regional infrastructure development; Resolve is negotiating third party access to planned rail by other major mining companies and is in discussion to obtain 5 Mtpa through Abbot Point potential rising to 15 Mtpa. Discussions are also in place to secure a further 5 Mtpa through Dudgeon Point potentially rising to 10 Mtpa.

5.3.4 PHYSIOGRAPHY

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

5.3.5 LOCAL GEOLOGICAL SETTING

The Pigeonhole Creek, Bully Creek and Row Creek tenements target the Betts Creek Beds (Figure 2), which are correlative to the Bandanna Formation further south and the Rangal Coal Measures to the east within the Bowen Basin.

5.3.6 EXPLORATION HISTORY

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

Seismic surveys completed to the north and south indicate that the Betts Creek Beds underlie the younger Triassic Warang Sandstone, which is mapped to outcrop on the crest of multiple anticlines over large expanses throughout the 3 tenement target areas.

No historical exploration has been completed within the Pigeonhole, Bully and Row Creek areas; however the Queensland Geological Survey conducted exploratory coal drilling both northwest (Mirtna) and southwest of the target area (View Hill) during 1976 and 1977 (Figure 2).

Numerous water bores are present in the area of EPC 1754 and EPC’s 2050 and 2341. Water Bore No.70515 is located within EPCA 2341 and 2.86km west of EPC 2050 and recorded a total 7m of coal, including a 4m seam at 55m depth, and a 3m seam at 99m depth. Another registered Water Bore No.7752 at approximately the same location drilled in 1967 also recorded “black shale and coal” between 70.1m-86.56m depth.

Regional magnetic and gravity mapping has been completed throughout the Galilee Basin.

Five exploratory coal boreholes were drilled by the Queensland Geological Survey in the View Hill area, located 8km south of EPC 1663. The boreholes are positioned approximately perpendicular to strike and therefore give a good indication of true dip. Weathered cover within the region is noted to be thick, consisting of up to 60 – 75m of weathered clays, silts and sandstones. Unconformably below this lies the Rewan Formation, or the Betts Creek.
Beds which are composed of approximately 32% coal. The Geological Survey sent full seam samples to the Australian Coal Industry Research Laboratories in Ipswich for testing. The average cumulative coal thickness in this area is approximately 55m with a calculated cumulative workable section of 39.2 metres.

Three holes were drilled within the Mirtna area located 19 km north of the Pigeonhole Creek tenement (Carr. A.F, 1977) targeting the Betts Creek Beds. These holes were drilled in the southern portion of the Mingobar Monocline where the dip of the seams was observed to be steeper than those in the View Hill area. The Betts Creek Beds were noted to be about 162m in full sequence and contained six (6) coal seams for a total workable thickness of coal of 24.53m. Weathering in this northern area is noted to be between 25m and 40m.

Figure 1: Location of Galilee Tenements.
Figure 2: 1:100,000 scale geological map over Natal Down and Mt Tutah.
5.3.7 COAL GEOLOGY, COAL SEAMS AND COAL QUALITY

Across most of the explored eastern margin of the Galilee Basin, up to 6 main coal seams exist. The coal seams are named A to F, in descending stratigraphic order and dip gently to the west at gradients of approximately 1:30 (2° or less). Coal quality results from the View Hill and Mirtna areas classify the coal rank as a high volatile bituminous C (ASTM).

Table 6: A synopsis of the GSQ drilling results from both programs is presented below. Samples washed at Specific Gravity 1.9gm/cc float (adb).

<table>
<thead>
<tr>
<th>Area</th>
<th>Seam</th>
<th>M%</th>
<th>Ash%</th>
<th>VM%</th>
<th>FC%</th>
<th>S%</th>
<th>Specific Energy Mj/Kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>View Hill</td>
<td>ABC Seams</td>
<td>9.7</td>
<td>21.5</td>
<td>26.9</td>
<td>42</td>
<td>0.2</td>
<td>20.9</td>
</tr>
<tr>
<td></td>
<td>D Seam</td>
<td>10.5</td>
<td>12.6</td>
<td>29.2</td>
<td>47.7</td>
<td>0.2</td>
<td>23.9</td>
</tr>
<tr>
<td></td>
<td>E Seam Top</td>
<td>12.8</td>
<td>7.2</td>
<td>30.6</td>
<td>49.4</td>
<td>0.3</td>
<td>24.8</td>
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<tr>
<td></td>
<td>E Seam Bottom</td>
<td>10.6</td>
<td>12.3</td>
<td>29.6</td>
<td>47.6</td>
<td>0.3</td>
<td>23.7</td>
</tr>
<tr>
<td></td>
<td>F Seam</td>
<td>9.4</td>
<td>16.2</td>
<td>25.1</td>
<td>49.3</td>
<td>0.2</td>
<td>21.1</td>
</tr>
<tr>
<td></td>
<td>View Hill Average</td>
<td>10</td>
<td>18.3</td>
<td>27.3</td>
<td>44.5</td>
<td>0.2</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>C Seam</td>
<td>9.6</td>
<td>19</td>
<td>29.4</td>
<td>42.1</td>
<td>0.3</td>
<td>21.8</td>
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<tr>
<td></td>
<td>C Seam Bottom</td>
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<td>21.5</td>
<td>26.4</td>
<td>43.2</td>
<td>0.3</td>
<td>20.9</td>
</tr>
<tr>
<td></td>
<td>D Seam</td>
<td>9.4</td>
<td>9.8</td>
<td>28.5</td>
<td>52.3</td>
<td>0.2</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>E Seam</td>
<td>10.2</td>
<td>9</td>
<td>28.5</td>
<td>52.3</td>
<td>0.2</td>
<td>24.6</td>
</tr>
<tr>
<td></td>
<td>F Seam</td>
<td>9.6</td>
<td>14.2</td>
<td>25.2</td>
<td>41.4</td>
<td>0.2</td>
<td>22.7</td>
</tr>
<tr>
<td>Mirtna</td>
<td>Mirtna Average</td>
<td>9.6</td>
<td>13</td>
<td>27.8</td>
<td>47.8</td>
<td>0.2</td>
<td>22.2</td>
</tr>
</tbody>
</table>

5.3.8 EXPLORATION POTENTIAL

Significant volumes of high volatile bituminous C thermal coal exist in five widely distributed Late Permian coal seams, as demonstrated by the proximal Mirtna and View Hill coal bore holes. A.J.Carr in his 1976 ‘exploratory coal drilling program’ noted a workable coal section of 39.2m within the View Hill area located 8km to the south of EPC 1757 and EPCA 2050. He also noted a workable coal thickness of 24.53m in the Mirtna area. Geological mapping to a scale of 1:100,000 supports further evidence for significant coal endowment within the area. Evidence from seismic lines indicate a shallow seam dip, with potential multiple subcrops produced by a shallow angled syncline to the east of the currently mapped basin margin. Insufficient data at this stage restricts the accurate estimation of a coal resource; however an exploration target range can be estimated.

Exploration target tonnages have been generated using a target polygon footprint for both EPC 1754 and EPCA 2050 (combined together 141km²) multiplied by a calculated cumulative coal seam thickness at a relative density provided by proximal drilling. Relative density within the View Hill and Mirtna drilling programs range (across all coal seams) ranges from 1.45 g/cm³ to 1.59 g/cm³. The seam average weighted density is 1.52g/cm³.

The Exploration Target total has been reported as a tonnage range, whereby the upper coal thickness figure is multiplied by the upper relative density figure and coal footprint polygon; the lower coal thickness figure is multiplied by the lower density figure and coal footprint polygon (Table 7).
Table 7: Exploration target ranges for Pigeonhole Creek, Bully Creek and Row Creek.

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Coal Endowment footprint (Km²)</th>
<th>RD (g/cc) Lower</th>
<th>RD (g/cc) Upper</th>
<th>Est. Workable coal thickness (m)</th>
<th>Coal Thickness 10% Upper</th>
<th>Coal Thickness 30% Lower</th>
<th>Upper Limit (Mt)</th>
<th>Lower Limit (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC 1663</td>
<td>38.31</td>
<td>1.42</td>
<td>1.59</td>
<td>31.8</td>
<td>34.98</td>
<td>22.26</td>
<td>2131</td>
<td>1211</td>
</tr>
<tr>
<td>EPC 1754 &amp; EPCA 2050</td>
<td>141</td>
<td>1.42</td>
<td>1.59</td>
<td>31.8</td>
<td>34.98</td>
<td>22.26</td>
<td>20,083</td>
<td>8,069</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>22,214</strong></td>
<td><strong>9,280</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.4 EPC 1857 - LAKE POWLATHANGA AND EPC 1969 - TRAFALGAR

5.4.1 INTRODUCTION
Lake Powlathanga and Trafalgar tenements consist of 90 sub-blocks (290km²) and 50 sub-blocks (161km²) respectively. The two coal tenements are adjacent with Trafalgar located directly south of Lake Powlathanga. The tenements are owned 100% by Resolve Coal Pty. Ltd.

Resolve identified these tenements on the basis that it considered the region to be a structurally preserved remnant or outlier of the main Galilee Basin. The presence of outcropping Warang Sandstone indicate potential for underlying Permian strata, which in the Galilee Basin proper, are known to host very large resources of low grade thermal coal.

There are no known statutory restrictions to resource development affecting these tenements nor is there restricted land or endangered regional ecosystems gazetted within the area of the tenements.

Table 8: Tenure, EPC 1857 and EPC 1969, Galilee Basin

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Tenure Number</th>
<th>Status</th>
<th>Date Granted</th>
<th>Date Expires</th>
<th>Principal Holder</th>
<th>No of Sub-blocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC</td>
<td>1857</td>
<td>Granted</td>
<td>26 July 2011</td>
<td>25 July 2016</td>
<td>Resolve Coal Pty. Ltd.</td>
<td>90</td>
</tr>
<tr>
<td>EPC</td>
<td>1969</td>
<td>Granted</td>
<td>21 April 2011</td>
<td>20 April 2016</td>
<td>Resolve Coal Pty. Ltd.</td>
<td>50</td>
</tr>
</tbody>
</table>

5.4.2 LOCATION
The Lake Powlathanga and Trafalgar coal tenements are located 35 km to the west of Charters Towers and 66 km to the east of Pentland. Lake Powlathanga is intercepted by the Flinders Highway, which connects the township of Pentland with Charters Towers, and continues onto the coastal city of Townsville. Both coal tenements are easily accessible through numerous dirt roads and farming tracks.

5.4.3 INFRASTRUCTURE – PORT AND RAIL
The Lake Powlathanga and Trafalgar coal tenements are supported by a heavy haulage rail line dissecting the north and west boundary of Lake Powlathanga. This high capacity rail link runs directly to Townsville and the coal port of Abbot Point.

5.4.4 PHYSIOGRAPHY
Average topographic height is approximately 380m, with dominantly flat terrain, with minor remnant mesas in the east. The area comprises open eucalyptus forest with improved pastures, with the major land use being cattle raising. The area is entirely within the Charters Towers Regional Council.
5.4.5 REGIONAL AND LOCAL GEOLOGICAL SETTING

The Lake Powlathanga and Trafalgar coal tenements are interpreted to be located on a remnant Galilee Basin outlier, located 50km to the northeast of the main basin margin (Figure 3). The Lake Powlathanga and Trafalgar coal tenements are targeting coal seams within the Permian Betts Creek Beds. The Betts Creek Beds are the northern correlative to the Bandanna Formation to the south, and the Rangal Coal Measures to the east.

The compressional folds converging along the eastern section of the Koburra Trough and towards Charters Towers have been observed in several seismic lines completed by CANSO Resources in 1989.
Figure 4: Charters Towers 1:100,000 Geological Map
5.4.6 EXPLORATION HISTORY

The Charters Towers-1 stratigraphic borehole was drilled in 1980 just 10km to the northwest of BEA315. The stratigraphic drilling report by the Geological Survey of Queensland details the underlying unit to the Betts Creek Beds. Thin Tertiary layers are followed by the Permian Boonderoo Beds. The coal bearing strata of the Betts Creek Beds, which conformably overlie the Boonderoo Beds, are projected to be preserved beneath a thin veneer of Tertiary sediments between Charters Towers-1 and the Just Range to the east. Further geological investigation of the Charters Towers and Homestead 1:100,000 geological maps reveal a significant outcrop (approximately 40km²) of Warang Sandstone between the Just Range and Charters Towers-1.

In 1981, Metals Exploration (MetalEx) took out two coal exploration tenements over what they referred to as the Balfes Creek (Burdekin) coal prospect. MetalEx initially conducted detailed and extensive gravity and resistivity surveys to define the basin and establish depth to basement. Three gravity “lows” were identified, which they later drill-tested. Eighteen holes were completed over the three gravity lows; nearly all of the holes were drilled on Tertiary sediments directly above the Silurian Perry Creek Formation or the Ordovician Trooper Creek Formation. There were only three holes actually drilled directly above the outcropping Warang Sandstone. Two of these holes finished in what is interpreted to be the Warang Sandstone and did not reach the Betts Creek Beds. The remaining hole intersected a 2.8m coal seam at 40.50m vertical depth.

Normandy Exploration Ltd completed a large scale shallow drilling project in 1996 on their mineral leases EMP9251 and 9693. The Myrrlluming drilling program completed a deep (96m) mineral exploration bore hole BEA315 (Figure 4) within the northern section of the Warang Sandstone outcrop in the centre of the gravity low and intersected a 6m coal seam at 41m vertical depth. BC10 is located 4.75km south-west of BEA315 (Figure 4).

5.4.7 COAL GEOLOGY, COAL SEAMS AND COAL QUALITY

Coal quality within the Galilee Basin outlier is unknown. Recent work carried out by Vale Exploration Pty. Ltd. and Swanbank Resources Ltd. on coals around the Pentland area located approximately 70km south west (notably the closest coal bearing strata to the tenements) classify the coals as a moderate energy, high volatile bituminous C coal (ASTM standards). Swelling tests do not exceed 0.5 and sulphur content was noted to be low.

5.4.8 EXPLORATION POTENTIAL

The target region is considered to be a structurally preserved remnant or outlier of the main Galilee Basin. The presence of outcropping Warang Sandstone indicate potential for underlying Permian strata, which in the Galilee Basin proper, are known to host very large resources of low grade thermal coal. Late Permian coal seams have been identified in two historical exploration holes BEA315 and BC10. The average cumulative coal thicknesses identified in these two holes (BEA315 and BC10) is 4.4 m. A range using a 10% above average and a conservative 30% below average figure generates a thickness range of 4.84 to 3.08 meters. Resolve have applied the upper and lower estimates as a generic range. With additional drilling data, ranges of coal thickness endowment across the deposit will be modified to more closely to reflect the measured coal thicknesses in the tenement. Currently the suite of data is not sufficient to utilise any statistical ranges.

The Exploration Target total is reported as a tonnage range, whereby the upper coal thickness figure is multiplied by the upper relative density figure and coal footprint polygon; the lower thickness figure is multiplied by the lower density figure and coal footprint polygon (Table 9).

Table 9: Exploration target ranges for Lake Powlathanga and Trafalgar, tonnages have been rounded.

<table>
<thead>
<tr>
<th>Range</th>
<th>Coal endowment footprint (Km²)</th>
<th>RD Lower (g/cc)</th>
<th>RD Upper (g/cc)</th>
<th>Estimated Workable coal thickness (m)</th>
<th>10%Upper Tonnage Metres</th>
<th>30% Lower Tonnage Metres</th>
<th>Total Tonnage (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper</td>
<td>67</td>
<td>1.68</td>
<td>4.4</td>
<td>4.84</td>
<td></td>
<td></td>
<td>540</td>
</tr>
<tr>
<td>Lower</td>
<td>67</td>
<td>1.54</td>
<td>4.4</td>
<td>3.08</td>
<td></td>
<td></td>
<td>320</td>
</tr>
</tbody>
</table>

On this basis, the exploration target potential tonnage for EPC1857 Lake Powlathanga and EPC1969 Trafalgar is estimated to be between 320 Mt and 540 Mt.
The true strike of these coal seam(s) is yet to be established, however interpretation between BEA315 and BC10 suggest an approximate dip of <2°. Regional geological and historical drilling do not at this stage give any reason to suggest the area is structurally complex or faulted.

5.5 Valuation

We reviewed a number of valuation methods used in the mining industry to value minerals assets. As we determined that these tenements must be described as preliminary stage exploration projects the number of valuation methods available was limited. As Resolve has only recently acquired these tenements through an application process, there was no information available that would enable GRI to determine valuations using the Exploration Expenditures Multiples method and as there are no JORC compliant defined resources we could not use a Net Present Value determined from discounted cash flows nor the Yardstick nor the Enterprise Value per resource tonne methods. We did however find two relevant and fairly recent transactions that provide an insight into the value of exploration properties that are at a similar stage of development as Resolve’s northern Galilee Basin tenements. We therefore determined that the use of the Comparable Transactions method for each of these tenements was acceptable and in doing so, we also determined that an adjustment factor based on our knowledge of Resolve’s assets compared with the two published transactions would also need to be applied.

In the first transaction, Aston Resources Pty Ltd entered into a joint venture with Independent Coal Pty Ltd in April 2009 to explore and assess the feasibility of the development of the thermal coal Dingo project situated in the Northern Bowen Basin. Independent Coal Pty Ltd is a wholly owned subsidiary of Cockatoo Coal Limited. The Dingo project comprises three tenements with a combined surface area of 35,420 hectares. Aston could earn a 70% interest in these tenements for an expenditure of $9 million, thereby valuing 100% of the JV at $12.86 million. This equates to approximately $36,300 per Km² of exploration area.

The second transaction involved Guildford Coal Limited purchasing a 51% stake in EPC1260 located in the north eastern edge of the Galilee Basin, from Tiaro Coal in April 2011. EPC1260 is situated towards the northern boundary of the Galilee Basin and covers an area of 399Km². The transaction consists of a $3.3 million upfront payment and a $5 million commitment to the exploration and development of the thermal coal tenement. This equates to a value of $16.27 million for 100% of EPC1260 and approximately $40,777 per Km² of exploration area.

While the Dingo property is situated in the northern Bowen Basin and the transactions occurred slightly more than two years ago, the value of $36,300 per Km² of exploration area is considered reasonable and of a level similar to the value of $40,777 per Km² obtained more recently for EPC1260 in the Galilee Basin. Resolve’s northern Galilee Basin tenements (EPC1857 Lake Powlathanga, EPC1969 Trafalgar, EPC1663 Pigeonhole Creek, EPC1754 Bully Creek and EPCA2050 Row Creek) are located in a very similar geological environment with similar coals as those of the two reference properties.

In our calculations we have used $36,300/Km² as a low value and $40,777/Km² as a high value.

We have discounted the values obtained for EPC1857 Lake Powlathanga and EPC1969 Trafalgar by 50% to give recognition to the fact that these two tenements are at the northern margin of the Galilee Basin in what may be an outlier trough and that little direct evidence exists as to the potential endowment in these tenements. We are aware that Warang Sandstone has been encountered but the holes were stopped prior to penetrating the Betts Creek Beds and that one hole penetrated a 2.8m section of coal at 40.50m depth, whilst another penetrated 6m of coal at 41m.

For the EPC1663 Pigeonhole Creek tenement we have determined that despite no historical exploration activities having been completed we are aware that the Queensland Geological Survey did conduct exploratory coal drilling both to northwest and southwest of the target area and found Betts Creek Beds were present, contained six (6) coal seams for a total workable thickness of coal of 24.53m. This area appears to be significantly superior in terms of potential coal endowment to those found in the vicinity of EPC 1260 and GRI has applied an enhancement multiple of 5 to these values $/km² to reflect this factor.

While EPC 1754 and EPCA 2050 are located in close proximity to EPC 1663 they are closer to the basin margin and in our opinion more closely relate to the geological situation of EPC 1260. We have therefore accepted the values determined from the comparable transactions identified.
Table 10: Valuation of Resolve’s Galilee Basin tenements

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Permit</th>
<th>Interest</th>
<th>Valuation Method</th>
<th>Value</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pigeonhole Creek</td>
<td>EPC 1663</td>
<td>100%</td>
<td>CT</td>
<td>$7.0m</td>
<td>$7.4m</td>
<td>$7.8m</td>
<td></td>
</tr>
<tr>
<td>Bully Creek</td>
<td>EPC 1754</td>
<td>100%</td>
<td>CT</td>
<td>$5.7m</td>
<td>$6.0m</td>
<td>$6.4m</td>
<td></td>
</tr>
<tr>
<td>Row Creek</td>
<td>EPCA 2050</td>
<td>100%</td>
<td>CT</td>
<td>$2.9m</td>
<td>$3.1m</td>
<td>$3.3m</td>
<td></td>
</tr>
<tr>
<td>Sandlands Creek</td>
<td>EPCA 2341</td>
<td></td>
<td></td>
<td>N/A (1)</td>
<td>N/A (1)</td>
<td>N/A (1)</td>
<td></td>
</tr>
<tr>
<td>Lake Powlathanga</td>
<td>EPC 1857</td>
<td>100%</td>
<td>CT</td>
<td>$5.3m</td>
<td>$5.6m</td>
<td>$5.9m</td>
<td></td>
</tr>
<tr>
<td>Trafalgar</td>
<td>EPC 1969</td>
<td>100%</td>
<td>CT</td>
<td>$2.9m</td>
<td>$3.10m</td>
<td>$3.3m</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$23.8m</strong></td>
<td><strong>$25.2m</strong></td>
<td><strong>$26.7m</strong></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: (1) EPCA 2341 is the subject of a competitive bid by five companies. Until Resolve Coal Pty Ltd is advised by the Queensland Government that it has been awarded the “priority applicant” GRI cannot apply an ownership value to this tenement.

The value of Resolve’s Galilee Basin tenements (excluding EPCA 2341) is estimated to be in the range $23.8 million to $26.7 million.
6 BOWEN BASIN TENEMENTS

6.1 INTRODUCTION

Resolve holds two tenements located within the Bowen Basin. They are listed in Table 11.

Table 11: Resolve Permits and Permit Applications, Bowen Basin

| Tenement | Name       | Basin | Interest (%) | Coal Type                  | Area (Km²) | Date Applied/Granted | Date Expires | Tenure (Years) |
|----------|------------|-------|--------------|----------------------------|------------|---------------------|-------------|----------------|----------------|
| EPC 1954 | Jeffries Creek | Bowen | 100          | Thermal/PCI / Coking/      | 37.5       | 4/2/2011            | 5           |                |
| EPCA 2618| Gindie     | Bowen | 100          | Thermal/PCI / Coking/      | 47.5       | 21/6/2011           | 5           |                |

Source: Resolve, July 2011.

Given their close proximity to each other within the Bowen Basin GRI has considered the tenements to represent one geologic region and has grouped them together for discussion and valuation purposes.

6.2 REGIONAL GEOLOGICAL SETTING

The tenements are located in the southwest Bowen Basin of Central Queensland, towards the margin of a major regional depression known as the Denison Trough. The area contains rocks within four major stratigraphic subdivisions, from uppermost Tertiary volcanics, claystones and other superficial deposits, to the underlying Permian Cattle Creek Formation and target Reids Dome Beds, and lowermost and undifferentiated basement rocks of Devonian-Carboniferous age.

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

6.3 EPC 1954 JEFFRIES CREEK AND EPCA 2618 GINDIE

6.3.1 INTRODUCTION

Tenements EPC 1954 - Jeffries Creek and EPCA 2618 - Gindie are owned 100% by Resolve Coal Pty. Ltd.

EPC 1954 Jeffries Creek was granted to Resolve Geo Pty Ltd on 4 February 2011 over an area of 11 sub-blocks (approximately 37.5km²) for an initial term of 5 years (Table 12). EPCA 2618 was applied for by Resolve Coal Pty Ltd on the 21 June 2011 and covers 15 sub-blocks (approximately 47.5km²).

Both tenements lie adjacent to Restricted Area RA 19 (Fairbairn Dam immediate Catchment Area) and both tenements overlap the RA 197 (Fairbairn Dam distal Catchment Area). EPC 1954 was also previously part of and now adjoins another Restricted Area, RA 279, the Cullin-La-Ringo deposit region which was originally part of a much larger Central Queensland coal exploration Restricted Area kept aside for future resources.

Table 12: Tenure – Bowen Basin tenements

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Tenure Number</th>
<th>Status</th>
<th>Date Granted</th>
<th>Date Expires</th>
<th>Principal Holder</th>
<th>Number of Sub-blocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC</td>
<td>1954</td>
<td>Granted</td>
<td>26 Nov 2010</td>
<td>25 Nov 2015</td>
<td>Resolve Coal Pty. Ltd.</td>
<td>11</td>
</tr>
<tr>
<td>EPCA</td>
<td>2618</td>
<td>Application</td>
<td>Exploration Permit Proposal</td>
<td></td>
<td>Resolve Coal Pty. Ltd.</td>
<td>15</td>
</tr>
</tbody>
</table>

6.3.2 LOCATION

The tenements are located approximately 27km south of Emerald (see Figures 5 & 6). The Minerva mine is situated approximately 6.48km south of EPC 1954. Access to the licence area is via the Gregory Highway linking Emerald to Springsure, and thereafter by a few partially sealed (Cullin-La-Ringo road) and unsealed property tracks.
6.3.3 INFRASTRUCTURE – PORT AND RAIL

The Emerald-Springsure rail line parallels the Gregory Highway 5km east of the EPC 1954, and dissects through EPCA 2618. This rail line is currently used to transport PCI and thermal product coal from the Sojitz Minerva Mine to the export terminal at Dalrymple Bay.

6.3.4 PHYSIOGRAPHY

Topographically, the area is subdued, comprising gently undulating plains incised by shallow perennial stream valleys with a few low rises and hillocks of rubbly basalt outcrop. Existing land use in the immediate tenement area is primarily cattle breeding and fattening.

![Figure 5: Position of EPC 1954 and EPCA 2618 in the Bowen Basin.](image)

6.3.5 LOCAL GEOLOGICAL SETTING

Seismic data acquired from QGC Ltd in 2010 indicates there is little faulting within EPC 1954 with the strata appearing to be continuous. To the east, the Reids Dome Beds are partially and unconformably overlain by a thin wedge of the Cattle Creek Formation. Extensive Tertiary flood basalts and minor sediments form an almost complete covering over the entire area. Regional trends and evidence from local geological modelling within the coal measures shows a relatively uniform and consistent strike to the north, and gentle easterly dip of about 4°.
Figure 6: Emerald 1:250,000 geological map.
6.3.6 Exploration History

Significant coal within the Reids Dome Beds was first suggested by early seismic (Emerald 6, Line B, Geophysical Service International, 1964), which showed a strong reflector interpreted as coal. In 1976, the Queensland Mines Department drilled a test hole GSQ Emerald 1 (ED-1) south of Lake Maraboon which intersected 385m of coal-bearing Reids Dome Beds. Follow-up drilling was undertaken in 1978 (DE-23, 2km east of ED-1) and 1979 (DE-34, 5km southwest of ED-1), which together were the catalyst for a more extensive drilling campaign of seven partially cored holes drilled in 1985, all of which intersected thick coal intervals which reported a very large inferred resource of low ash, low sulphur, high volatile content steaming coal contained within at least eight discrete coal seam horizons. In 1988, a fifth round of drilling (7 holes) was initiated to extend the limits of the known deposit area, to the north and south of the initial inferred resource area, and a further 3 holes completed in mid-1989 to aid in defining the western limits of the deposit. Of these 20 holes, 1 hole DE-23 is located central and within the current Resolve tenement area, and a further 10 holes are located proximal to the area. In 1989 D’Arcy reported an inferred resource (Class I and II) of 2.5Bt within the Cullin La Ringo Deposit.

Resolve have indicated to GRI that the drilling to the north and south of Jeffries Creek, having a complete data record, could potentially support and form a part of a posted JORC resource by Resolve after initial drilling on EPC 1954 has been completed.

Seismic line Cullin 2 was part of the 2007 2D Vibroseis survey completed by MBA Petroleum for QGC Ltd. The seismic image and SEG-Y data was obtained by Resolve in 2010. The data was acquired over approximately 6.7km along Cullin La Ringo Road, which dissects the Jeffries Creek lease from east to west. This line indicates little faulting within the tenement, the strata appearing to be relatively continuous.

Queensland Gas Company (QGC) also drilled one well within the area covered by EPC 1954 in 2009. Ringo-1 was drilled along the Cullin 2 seismic line and intersected significant coal, interpretation of the seismic section suggests a continuous and unfaulted series of Reids Dome coal measures could be found at depth.

6.3.7 Coal Geology, Coal Seams and Coal Quality

A total of up to seventeen individual coal seams greater than 20cm thickness have been recorded in the area; allocated Greek letter designations down the sequence from Alpha to Rho. The seams of most commercial interest are the Iota, Kappa and Omicron seams, which are thicker and/or cleaner, and/or more laterally pervasive across the Cullin-la-ringo deposit area (Table 13).

<table>
<thead>
<tr>
<th>Seams</th>
<th>No. of Samples</th>
<th>Ave. T’kness</th>
<th>Yield (F1.6 cum)</th>
<th>Proximate Analysis</th>
<th>Specific Energy MJ/Kg</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Moisture (%)</td>
<td>Ash (%)</td>
</tr>
<tr>
<td>Delta</td>
<td>2</td>
<td>1.73</td>
<td>98.7</td>
<td>4.7</td>
<td>5.5</td>
</tr>
<tr>
<td>Gamma</td>
<td>2</td>
<td>1.44</td>
<td>89.8</td>
<td>3.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Iota</td>
<td>19</td>
<td>7.24</td>
<td>88.0</td>
<td>4.0</td>
<td>6.8</td>
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<tr>
<td>Kappa</td>
<td>1</td>
<td>1.94</td>
<td>80.9</td>
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<td>8.8</td>
</tr>
<tr>
<td>Mu</td>
<td>6</td>
<td>1.33</td>
<td>92.9</td>
<td>3.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Omicron</td>
<td>7</td>
<td>4.56</td>
<td>85.0</td>
<td>3.0</td>
<td>8.2</td>
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<tr>
<td>Rider</td>
<td>1</td>
<td>1.12</td>
<td>85.5</td>
<td>4.1</td>
<td>6.9</td>
</tr>
<tr>
<td>Pi</td>
<td>5</td>
<td>2.17</td>
<td>70.0</td>
<td>3.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Theta</td>
<td>1</td>
<td>1.67</td>
<td>85.8</td>
<td>4.5</td>
<td>9.7</td>
</tr>
<tr>
<td>Eta</td>
<td>1</td>
<td>1.66</td>
<td>96.1</td>
<td>3.1</td>
<td>5.9</td>
</tr>
<tr>
<td>Weighted average</td>
<td></td>
<td></td>
<td></td>
<td>86.7</td>
<td>3.7</td>
</tr>
</tbody>
</table>

NOTE: (1) Volatile Matter (2) Fixed Carbon

6.3.8 Exploration Potential

Jeffries Creek (EPC 1954) and Gindie (EPCA 2618) host up to seventeen coal seams within the Reids Dome Beds and range from a high quality bituminous thermal coal to a potential semi-soft coking or a high volatile PCI coal with depth and increased rank. Average cumulative coal endowment has been modeled by Resolve at 30.8m across the Jeffries Creek tenement. Drilling within the immediate region has identified potential economic coal seams ranging between 1.5 to 11.02m in thickness, dipping gently at 2-4° to the east. Modeling indicates that two of the
principal targets, the Iota and Kappa seams and sub-crop to the base of the basalt cover within the western limit of Jeffries Creek.

The geological continuity and understanding of coal quality is as yet insufficient to provide the confidence to complete a JORC compliant resource within the tenements. Exploration Targets presented for Jeffries Creek (EPC1954) are an estimate of total potential coal endowment within the tenement. Exploration targets are expressed as upper and lower ranges, based upon estimated variations in coal thickness and variations in upper and lower relative density (RD) from laboratory measured raw coal samples, see Table 14.

**Table 14: Exploration Target Potential**

<table>
<thead>
<tr>
<th>Depth range (m)</th>
<th>Lower Range - Mt (-30%/1.41RD)</th>
<th>Upper Range- Mt (+10%/1.70RD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>100-200</td>
<td>50</td>
<td>90</td>
</tr>
<tr>
<td>200-300</td>
<td>60</td>
<td>120</td>
</tr>
<tr>
<td>300-400</td>
<td>90</td>
<td>170</td>
</tr>
<tr>
<td>400+</td>
<td>680</td>
<td>1270</td>
</tr>
<tr>
<td><strong>Cumulative total</strong></td>
<td><strong>890</strong></td>
<td><strong>1670</strong></td>
</tr>
</tbody>
</table>

More drilling and technical analysis is required throughout EPCA 2618 – Gindie- to accurately model geology, coal seams, coal quality, and structure of the area, and to be able to distinguish and quantify resources suited to future mining. It is our opinion that the tenement most probably hosts the same coal seams as those at Jeffries Creek but at a greater depth; furthermore proximal petroleum and local coal boreholes suggest a rank increase from west to east and a Ro-max increase with depth.

### 6.4 Valuation

On 2 June 2011 Resolve received a non-binding acquisition offer to purchase EPC 1954 for a minimum of $45 million with additional consideration offered subject to JORC resource delineation. GRI has been provided with a copy of the letter of offer but cannot disclose the identity of the offeror for “commercial-in-confidence” reasons. The offer included $45 million cash (paid in three equal instalments over 12 months) and $0.20 per tonne of coal classified to a minimum JORC Indicated Resource category above 225Mt payable in ASX listed shares (30 day VWAP) or cash at the discretion of the offeror. The offer made the following specifications for the resource:

1. > 2m seams
2. <500m depths
3. Seam quality must be economic
4. Calculated within a 10 year period.

Resolve would be appointed as exploration manager and the offer was subject to a 90 business day due diligence period.

Given that there is an ‘offer on the table’ for $45 million plus, we have set a low value for Jeffries Creek of $45 million and, allowing for further negotiation and upside for the JORC resource to be identified, plus the extra value associated with managing the exploration effort we have set a high value of $55 million.

While EPCA 2618 Gindie is in close proximity to EPC 1954 Jeffries Creek and would on the face possibly attract a similar valuation as that for Jeffries Creek, there are a number of factors that need to be taken into account. Obviously, Gindie is less well understood than Jeffries Creek and drilling, seismic and detailed technical analysis are required. While we have stated that it is our opinion that the tenement most probably hosts the same coal seams as those at Jeffries Creek we acknowledge that they would be likely to be found at greater depths and that rank would probably be higher than at Jeffries Creek. On these bases we have discounted the value for Gindie offered for Jeffries Creek by 90% to reflect these uncertainties at Gindie.
### Table 15: Valuation of Resolve’s Galilee Basin tenements

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Permit</th>
<th>Interest</th>
<th>Valuation Method</th>
<th>Low</th>
<th>Preferred/mid-point</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeffries Creek</td>
<td>EPC 1954</td>
<td>100%</td>
<td>JVT</td>
<td>$45.00m</td>
<td>$50.00m</td>
<td>$55.00m</td>
</tr>
<tr>
<td>Gindie</td>
<td>EPCA 2618</td>
<td>100%</td>
<td>JVT</td>
<td>$4.50m</td>
<td>$5.00m</td>
<td>$5.50m</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$49.50m</strong></td>
<td><strong>$55.00m</strong></td>
<td><strong>$60.50m</strong></td>
</tr>
</tbody>
</table>

The value of Resolve’s Bowen Basin tenements is estimated to be in the range $49.50 million to $60.50 million.
7 EROMANGA BASIN TENEMENT

7.1 INTRODUCTION

Resolve Geo Pty. Ltd. holds 100% of EPC 1673 ‘Sherwood Park’. Sherwood Park was granted on 29 October 2010 and consists of 292 sub-blocks (903.20 km²).

Table 16: Resolve Permit, Eromanga Basin

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Name</th>
<th>Basin</th>
<th>Interest (%)</th>
<th>Coal Type</th>
<th>Area (Km²)</th>
<th>Date Applied / Granted</th>
<th>Tenure (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPC 1673</td>
<td>Sherwood Park</td>
<td>Eromanga</td>
<td>100</td>
<td>Thermal</td>
<td>903.20</td>
<td>29/10/2010</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Resolve, July 2011.

7.2 REGIONAL GEOLOGICAL SETTING

The Eromanga and Surat Basin are separated by the Nebine Ridge. The upper most unit of the Eromanga Basin, the Winton Formation, outcrops extensively throughout the eastern section of the Basin. The Winton Formation is composed largely of siltstones, sandstones and coal seams. The formation represents a Late Cretaceous (Cenomanian) regressive marine sequence, with a progression from fluvial, to lacustrine, to low, coal swamp environments. The Formation is widespread in the central part of the Eromanga Basin where it forms the youngest pre-Tertiary unit, and is often found at the surface or covered by thin Quaternary alluvials. The sediments of the Eromanga Basin have a general dip of less than 1° towards the centre of the basin.

7.3 EPC 1673 SHERWOOD PARK

7.3.1 LOCATION

The Sherwood Park coal tenement is located 36 km to the east of the Adavale township and 126 km to the north of Quilpie. Sherwood Park is intercepted by the Adavale – Charleville Road, which runs from west to east across the southern section of the coal tenement, connecting Adavale with Charleville. Sherwood Park is accessible through numerous dirt roads and farming tracks.

7.3.2 INFRASTRUCTURE – PORT AND RAIL

The nearest rail line, ‘The Great Western Line’, is located approximately 70km to the south of the tenement. The ‘Great Western Line’ connects the town of Quilpie to the coastal city of Brisbane. Sherwood Park is located 35 km south east of the Gilmore Gas Field. The petroleum pipeline servicing the Gilmore Gas field is located 1.20 km from the western boundary of Sherwood Park and runs parallel with the coal tenement. The proximal location of the Gilmore Gas Field and the gas pipeline to Sherwood Park provides significant advantage in regards to potential power supplies for mine development.

7.3.3 PHYSIOGRAPHY

The Sherwood Park coal tenement is comprised of semi-arid to arid scrub covered low lying hills, scarps, and heavily weathered plains and clay pans. The land is utilised for a low density cattle grazing and the general topography has average topographic elevation of approximately 350m.

7.3.4 LOCAL GEOLOGICAL SETTING

Evidence for thick, shallow Winton Coal Measures within Sherwood Park is provided from the petroleum well Emu Creek-1, which is located 1000 meters outside the southeastern boundary of the tenement. A total cumulative coal thickness of 33 meters was intercepted within the upper 143 meters of the Winton Formation in Emu Creek-1. Coal seams intercepted within the Winton Formation have been recorded to reach 7.6m (Fielding 1992). In hand specimen the coals are dull, but the more vitrinite-rich coals can have up to 50% bright bands up to 1cm in thickness, giving the seams a thinly banded appearance (Fielding 1992).

The Winton Formation does host substantial coal deposits. The thick and shallow coal seams associated with the Winton Formation are the primary target of the Sherwood Park coal tenement.
7.4 EXPLORATION HISTORY

The area of EPC 1673 has not previously been explored for coal; however there are numerous adjacent exploration coal permits and applications targeting the Winton Formation. Most significant is EPC 1149 held by East Energy Resources Ltd, 65km to the north of EPC 1673. The area was previously explored by Thiess Bros Ltd in the 1970’s in a search for coals suited to coal-to-liquids applications, and their exploration demonstrated aggregate coal thicknesses between 3-9m, and potentially large resources, with seams dipping gently to the west at 2-4°.

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

Previously, petroleum well Emu Creek-1 was drilled in 1987 for Agip Australia Pty Ltd in the north-west corner of Mariala National Park 1km from the boundary of the EPC 1673 and penetrated 143m of Winton Formation sediments from the surface. Emu Creek-1 recorded multiple coal horizons in the Winton Formation between 60m and 120m depth. The well log cuttings description is not highly accurate, but records coal from 60-80m depth (10% coal), 80-90m depth (100% coal), 90-100m depth (90% coal), and 110-120m depth (90% coal).

There are numerous seismic lines running through the tenement that suggest Winton coals outcrop within the tenement over the Enniskillen Anticline. These seismic lines include 584R (30), 584R (34C), 586E (178) and 584R (40). Interpretation of the seismic data also provides support that the dip of the Winton Formation is very shallow, ca. <1°.
Figure 7: Location of EPC 1673 within the Eromanga Basin.
Figure 8: 1:1,000,000 Geological Map of Sherwood Park
7.5 COAL GEOLOGY, COAL SEAMS AND COAL QUALITY

The coal quality of the Winton Formation coals presented in Table 17 has been sourced from EPC 1149 as it provides the most proximal data to EPC 1673. The table values where generated by averaging the values reported to the Australian Stock Exchange within East Energy Resource Ltd. JORC inferred and indicated resource announcement on 7 June 2011 and historical documents sourced from the Queensland Government QDEX database.

Table 17: Winton Formation washed F1.60 coal quality analysis from EPC1149 on a air dried basis

<table>
<thead>
<tr>
<th></th>
<th>EPC 1149 INFERRED JORC</th>
<th>EPC 1149 INDICATED JORC</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1.60 Product Ash (%)</td>
<td>13.67</td>
<td>14.16</td>
</tr>
<tr>
<td>F1.60 Product Volatile Matter (%)</td>
<td>30.15</td>
<td>29.81</td>
</tr>
<tr>
<td>F1.60 Product Sulphur (%)</td>
<td>0.43</td>
<td>0.41</td>
</tr>
<tr>
<td>F1.60 Product Specific Energy (Mj/kg)</td>
<td>20.46</td>
<td>19.42</td>
</tr>
<tr>
<td>F1.60 Product Yield (%)</td>
<td>77.04</td>
<td>76.89</td>
</tr>
</tbody>
</table>

Interpretation of the coal quality suggests that the Winton Coals in EPC 1149 are of sub-bituminous C rank (ASTM). Sulphur content is low, with average values not exceeding 0.5%. Yields of greater than 77% can be achieved from a F1.60 product. The overall interpretation of the Winton coal quality suggests that large volumes of a thermal coal product could be generated for domestic use. The coal also displays high hydrogen to carbon ratios, implying potential use as product feedstock for a coal to liquids conversion process.

7.6 EXPLORATION POTENTIAL

The widespread presence of coal within the Winton Formation is known from historical petroleum drilling activities, from recent CSG drilling and the presence of coal has also been widely reported from water bore records although, these tend to be of dubious reliability.

In EPC 1149 located 65km to the north of EPC 1673, East Energy Resources Ltd recently outlined substantial ‘Indicated’ and ‘Inferred’ resources of sub–bituminous C low rank thermal coal (ASTM classification) contained in multiple coal seams up to 3m thick.

Insufficient data within EPC 1673 does not currently allow for the estimation of a JORC compliant coal resource; however an exploration target range has been estimated with a low level of confidence. Resolve has generated exploration target tonnages using a target polygon generated by incorporating a 5km radius around the historical petroleum well Emu Creek-1. The area, which the 5km buffer of Emu Creek-1 overlies within EPC 1673, has been incorporated as the exploration target footprint polygon. This polygon area has then been multiplied by a range of +10% and -30% of the observed cumulative coal thickness intersected within the Emu Creek-1 petroleum well. This measurement is then multiplied by a representative relative density range of that reported from nearby coal quality.

Table 18: Estimated coal endowment EPC 1673

<table>
<thead>
<tr>
<th></th>
<th>Area (Km2)</th>
<th>Thickness Used (m)</th>
<th>Thickness (m) -30%</th>
<th>Thickness (m) +10%</th>
<th>RD (g/cc) Min</th>
<th>RD (g/cc) Max</th>
<th>Coal Tonnage Low (Mt)</th>
<th>Coal Tonnage High (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper</td>
<td>45</td>
<td>33</td>
<td>36.3</td>
<td>1.49</td>
<td></td>
<td></td>
<td>2430</td>
<td></td>
</tr>
<tr>
<td>Lower</td>
<td>45</td>
<td>33</td>
<td>23.1</td>
<td>1.37</td>
<td></td>
<td></td>
<td>1420</td>
<td>2430</td>
</tr>
</tbody>
</table>

Based on these estimations EPC 1673 could have an exploration target between 1420 and 2430 Mt of low rank thermal coal.

7.7 VALUATION

While coal is known within the Winton Formation from both petroleum exploration drilling and water bore records and despite the fact that at EPC 1149, located 65km to the north, East Energy Resources Ltd recently outlined substantial ‘Indicated’ and ‘Inferred’ resources of sub–bituminous C low rank thermal coal, there is currently insufficient data to determine the presence of a coal resource within EPC 1673 however, the presence of coal seen
in the nearby Emu Creek-1 petroleum well does provide GRI with a low level of confidence that coal may be present. Additionally, EPC 1673 is remote from infrastructure with the nearest high capacity rail link some 70km south of the lease. Until there is a means of efficiently transporting any coal to market that may be discovered within its boundary, it is GRI’s opinion that any coal contained in this lease will remain stranded and therefore unlikely to be developed in the near future.

Furthermore, despite the presence of high hydrogen to carbon ratios observed in the Emu Creek-1 and therefore the potential to develop any coals discovered here for feedstock for a coal to liquids conversion process we again see any potential financial benefit to be some time in coming.

In providing a value for this tenement we have used the comparable transactions values determined for the northern Bowen and Galilee Basins that we used for the Galilee Basin tenements, i.e., a high value of $40,777/km² and $36,300/km² as the low value. We have then discounted these values for the tenement by a further 90% to reflect the current low level of confidence that commercial coal resources are present and the stranded nature of any deposits. Note, that in using this method the size of the tenement must be considered in calculating its value. This may result in a distortion of the value as it implies that the whole of the tenement is potentially exploitable whereas in reality it may hold that only a portion of the tenement may be exploitable.

Table 19: Valuation of EPC 1673 Sherwood Park tenement

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Permit</th>
<th>Interest</th>
<th>Valuation Method</th>
<th>Value ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Sherwood Park</td>
<td>EPC 1673</td>
<td>100%</td>
<td>CT</td>
<td>$3.28m</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>$3.28m</td>
</tr>
</tbody>
</table>
8 BRITISH COLUMBIA, CANADA TENEMENTS

8.1 INTRODUCTION

The Peace River coalfield, located in the British Columbian North East Basin, is a mature coking coal basin but still has many opportunities for the acquisition of high quality assets.

The Mt Spieker Licence (CLA 417875) hosts a large portion of the West Bird deposit (Gething Formation coal) as well as known economic Gates Formation coals. Historic drilling and exploration programs have shown that the Mt Spieker coal licences (CLA 417875 & CLA 417876) have excellent potential to host further economic reserves of coking coal, with the potential for near term development due to proximal existing heavy coal rail line and power source. This rail goes directly to a coal export terminal, where the large and growing metallurgical coal markets of Asia are within easy reach; China, South Korea, and Japan are within 14 shipping days of Prince Rupert, and India is within 24 shipping days.

Figure 9: Location map of Resolve's Canadian coal projects
Figure 10: Resolve’s BC project locations showing heavy coal railway tracks
8.2 **Peace River Coalfield**

8.2.1 **Geologic Setting**

The Peace River Coalfield extends 400 kilometres from the Kakwa River to the Sikanni River in north eastern British Columbia. The coalfield contains a number of coal-bearing units that dip to the east into the Western Canadian Sedimentary Basin. These are the Jurassic-Cretaceous Minnes Group and Lower Cretaceous Gething and Gates Formations.

The coal resource in the Peace River Coalfield, to a depth of 2000 metres, is estimated to be more than 160 billion tonnes of medium and low volatile bituminous coal. This is mainly divided between the Gates (10 billion tonnes plus) and Gething formations (120 billion tonnes plus). To date, two major mines (Quintette and Bullmoose) have been developed in the Gates formation.

![Figure 11: Location map of Resolve’s licenses within the Peace River Coalfield](image-url)
8.2.2 Regional Stratigraphy

The regional stratigraphy is dominated by Mesozoic strata, particularly that of the Lower Cretaceous Fort St John and Bullhead Groups (Figure 19).

Figure 19: Stratigraphy of the Adams and Mt Spieker region in the Peace River Coalfield

The majority of the coal licences are underlain by the Moosebar and Gething Formations of the Fort St John and Bullhead Groups respectively. It is considered that the Bullhead Group and the overlying Fort St. John Group form a complete non-marine and marine sequence.

The Cadomin Formation consists of massive, cross-bedded, coarse grained, grayish to reddish-brown conglomeratic sandstones, and fine conglomerates with some interbedded fine grained sandstones, carbonaceous shales and thin coaly beds.

The Gething Formation directly overlies the Cadomin Formation and consists of interbedded mudstones, coals, siltstones, sandstones and occasional conglomerates, with a total thickness in the region of ~200m. These units are all relatively thin and it is their frequent repetitions that characterize the Gething Formation.

The Bullhead Group Moosebar Formation directly overlies the Gething Formation and consists of a sequence of dark grey to black friable shales. This is itself conformably overlain by the Gates Formation, which is composed of sandstone, siltstone and coal. Regionally the Gates Formation is 200-230m thick.

The Hulcross Formation is the uppermost unit found within the Mt Spieker coal licences, and is composed dominantly of marine shales and silts.
Figure 12: Geological map of BC highlighting Gates and Gething Formations
8.2.3 STRUCTURE

The Mt Spieker coal licences lie within the inner Foothills structural belt and the Adams area lies within the Foothills structural belt of the Rocky Mountains. The Cretaceous sediments were deformed during the Laramide Orogeny; where thrusting and folding produced elongate plunging anticlines and synclines. Compressive uplift forces in the west were focused in a northeast direction and caused thrust faulting and folding normal to the compressional axis, in a northwest-southeast direction.

The structure of the Mt Spieker region is characterised by wide open synclines and box anticlines, often asymmetric, with some tight folds of short wavelength. The tight folds are related to thrusts, with field evidence suggesting that the folding is tighter in the Gething and Cadomin Formations than in the overlying Gates Formation. This is evidenced by structures present in the Gething Formation, stopping in the Moosebar Formation, suggesting that a detachment occurs within the Moosebar Formation (Legun 2006).

Structurally the Adams property is composed of two such units: the Adams syncline in the northwest and the Gething Creek syncline in the southeast. The axial portions of both structures have gentle to moderate dips (7°-20°) while dips on the flanks increase to up to 60°. Both structures plunge gently to the southeast.

8.3 INFRASTRUCTURE

8.3.1 SHIPPING - PORT OF PRINCE RUPERT

The Port of Prince Rupert, BC is the deepest natural harbour in North America and has significant expansion capacity. Last year (2010) the Ridley coal terminal at the Port of Prince Rupert handled 8.3 Mt of coal, with a current capacity of 12 Mt, and an expansion plan to 24 Mt. In 2010 the spare capacity was 3.7 Mt. The Port of Prince Rupert offers a year-round service, an ice-free harbour and no costly congestion delays.

![Figure 13: Shipping Times between BC Ports and Asia](image-url)
Ridley Terminals Ltd is the coal loading and unloading terminal at the Port of Prince Rupert, moving coal from unit trains onto vessels. It loads metallurgical and thermal coal, petroleum, coke, iron ore pellets and has the potential to ship other products such as sulphur.

Key features of Ridley Terminals:
- Fully automated
- 55 hectare terminal
- Loading rate of 9,000 tonnes an hour
- Annual shipping capacity of 24 million tonnes (existing & planned)
- Storage capacity of 1.2 million tonnes
- Capable of handling vessels of 350,000 DWT

Figure 14: Ridley Terminal – Port of Prince Rupert

8.3.2 RAIL

Two main railway companies transport BC coal to the ports on the coast: Canadian National (CN) and Canadian Pacific Railways (CPR). CN focuses on Northern BC and brings most of the coal from this region to Ridley Terminals Inc. (Port of Prince Rupert). CPR works in Southern BC and mainly transports coal to Westshore and Neptune Terminals (Port Metro Vancouver).

In order to connect to the main rails, mining companies establish spur lines and load out facilities. This infrastructure is often created as a collaboration between the mining and railway companies. For instance, spur lines may be purchased by the mining companies but will be managed by the railway companies. Cargo trains are owned by the railways and are made available to the mining companies. CN and CPR indicate that coal is transported from mine to port in BC within three days.

CPR services coal mines located in south-eastern British Columbia, transporting the majority of coal to Port Metro Vancouver for export. Some of the coal is transported east by CPR for consumption by steel mills in the Great Lakes region. CPR owns 1900 high-capacity aluminium coal railcars, resulting in a 17% increase in capacity per train over conventional steel coal cars.

CN transports coal from mine to port in BC in unit trains (90 cars or more). The fleet of rotary gondola railcars transports coal efficiently with heavy-duty cars that are designed for unit trains with capacity of 107 metric tonnes. The loading or unloading is completed in minutes without being uncoupled. CN can offer a complete transportation solution thanks to its high-capacity 286,000 pound weight limit rail line and connections to three key coal terminals on Canada’s west coast.

A heavy rail line runs ~7 km to the southeast of Resolve’s Mt Spieker coal licence areas (Figures 10 & 11). This line serves Tumbler Ridge (Wolverine) coal mine, and in the past served Quintette and Bullmoose mines and as such now has excess capacity.
Table 20: BC Mine to port transport times

<table>
<thead>
<tr>
<th>Loaded Train Cycles from Mine to Port</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia to Ridley Terminal Port of Prince Rupert</td>
<td>45 hours</td>
</tr>
<tr>
<td>British Columbia to Port Metro Vancouver</td>
<td>70 hours</td>
</tr>
</tbody>
</table>

8.3.3 Power Generation

The W.A.C Bennett Dam holds back Williston Lake and provides water for the Gordon M. Shrum Generating Station. The complex consists of the main earth fill dam, with a spillway 660m above sea level, and a peak capacity of 2,730 megawatts of electricity. This dam provides relatively inexpensive electricity, which has been credited with facilitating rapid development throughout British Columbia over the decades following completion.

A 230KV power line from the Gordon M. Shrum power station runs down through the Peace River Coalfield and served the Bullmoose, Tumbler Ridge (township and the Wolverine mine) and Quintette coalmines (Figure 15). The Bullmoose spur line runs within a few kilometres of both CLA 417823 and CLA 417824 and would require minimal infrastructure input.

Figure 15: Electrical power infrastructure grid map Peace River Coalfield

8.4. Statutory Requirements

A corporation must be registered with the BC Companies Registry (see the Mineral Tenure Act and Regulations for more information).

British Columbia has an online application system that can be submitted for gaining a coal exploration licence. A coal license is valid for a term of one year upon granting. If a licensee complies during the term of the licence with every provision of the Coal Act and the licence, the minister, on application by the licensee under this section, must
extend the term of the licence for further one year terms. Therefore a coal license can be held in perpetuity if the license is kept in good standing.

8.5 ADAMS AND ADAMS WEST (CLA417873 & CLA417874)

8.5.1 INTRODUCTION

CLA417873 (Adams) and CLA417874 (Adams West) were lodged on the 20th June 2011, and the applications accepted by the British Columbian Ministry of Energy and Mines on the 16th July 2011. These application areas are immediately adjacent, the division being created by statutory requirements to apply for no more than 20 sub-blocks in one application area, and so will be treated as one.

The application areas consist of 24 sub blocks totalling 18.00 km² within the Peace River coalfield. Resolve Coal Pty. Ltd. is the 100% owner of the permit applications.

Table 21: Licence application details

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Tenure Number</th>
<th>Tenure Name</th>
<th>Owner</th>
<th>Status</th>
<th>Mining Division</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal Licence Application</td>
<td>417873</td>
<td>Adams</td>
<td>Resolve Coal Pty Ltd (100%)</td>
<td>Good Standing</td>
<td>Liard</td>
<td>1,500 ha</td>
</tr>
<tr>
<td>Coal Licence Application</td>
<td>417874</td>
<td>Adams West</td>
<td>Resolve Coal Pty Ltd (100%)</td>
<td>Good Standing</td>
<td>Liard</td>
<td>300 ha</td>
</tr>
</tbody>
</table>

No statutory restrictions are currently known restricting mining development in the Adams application area.

8.5.2 LOCATION

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

The area has a continental highland climate featuring short, warm summers and long, cold winters with average July and January temperatures between +15.3°C and -11°C, respectively and average rainfalls of approximately 320 mm and 1.70 metres of snow per year. The snow pack persists from October to June.

8.5.3 TOPOGRAPHY AND LAND USE

The Adams deposit is located in the eastern belt of the Rocky Mountain Foothills. Topographic relief in the immediate area of the property is moderate, with a broad valley running through the centre of the tenements. Elevations vary from 830m in the bottom of the valley to approximately 1300m in the west of the tenements where they overlap the base of Battleship Mountain, the peak of which is located some 2 km from the western boundary. Extensive forestry has occurred within, and proximal to the Adams application areas.

Figures 10, 11 and 12 show the location of the Adams Deposit within the Peace River coalfield. Note proximal rail infrastructure and existing mines.

8.5.4 GEOLOGY & COAL QUALITY

The Adams prospect was identified as part of a target generation strategy aimed at identifying high quality coking coal within the North East British Columbia Basin’s Peace River coalfield. Research to date has identified significant tonnages of potential coking medium volatile bituminous coal (ASTM) within the Lower Cretaceous Gething Formation. In the Peace River Coalfield area, Gething Formation coal beds vary from a few centimetres to 4.5 metres thick. A 1979 drill program targeted the high quality “Trojan” and “Titan” seams, recognized as among the thickest (>2m) seams, in the top 70m of the Gething Formation.

Resolve Coal Pty Ltd is targeting the Gething Formation’s Trojan and Titan coal seams as these have had the most historical exploration due to their wide spatial extent and coal quality. Several other important Gething Formation coal seams occur in the Adams deposit that are worthy of exploration, but are not reported here in detail due to insufficient knowledge of their extent and quality. These “unknown” seams represent further options to potentially increase the coal endowment.
The Gates Formation, stratigraphically above the Gething Formation, also occurs in the Adams deposit, and elsewhere in the NEBC basin forms a primary target for coking coal exploration and mining. Coal endowment within the Gates formation has not been proven in the Adams deposit due to a lack of boreholes within the areas overlain by this formation. Gates Formation coal seams do not form part of the reported Exploration Target.

Coal quality of Gething Formation coals from a proximal borehole (DDH-SMG-8011) show a range of volatile matter from 26.1% to 36.2%, ash content from 3.87% to 24.79%, free swelling indices from 1 to 8.5, energy values from 25.15MJ/kg to 34.4 MJ/kg, and sulphur values from 0.48% to 1.08%. These values constitute an excellent coking coal. Full hole quality results for this hole are shown below in Table 22.

### Table 22: Full hole quality results from hole DDH-SMG-8011

<table>
<thead>
<tr>
<th>Sample No.</th>
<th>From (m)</th>
<th>To (m)</th>
<th>Thickness (m)</th>
<th>Seam Name</th>
<th>Air Dry Basis</th>
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<tr>
<td></td>
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<td></td>
<td>Core Log</td>
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<td>Moisture (%)</td>
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<td>Ash (%)</td>
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<td>S (%)</td>
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<td>VM (%)</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>16.52</strong></td>
<td></td>
<td><strong>16.6</strong></td>
</tr>
</tbody>
</table>

Kailuan Dehua are currently developing a mine to exploit the Gething Formation, specifically the Trojan Seam approximately 8.5km to the east of the Adams deposit. They report an average Trojan seam quality of 28.04% volatiles, 5.63% ash, a free swelling index of 6, an energy value of 34.5MJ/kg, and sulphur of 0.74%. The average quality of all seams is detailed in Table 23 below.

### Table 23: Average quality of all seams

<table>
<thead>
<tr>
<th>Seam</th>
<th>Yield %</th>
<th>Ash %</th>
<th>Sulphur %</th>
<th>Volatile Matter %</th>
<th>BTU</th>
<th>FSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior</td>
<td>88.70</td>
<td>2.26</td>
<td>0.81</td>
<td>28.25</td>
<td>15092</td>
<td>4</td>
</tr>
<tr>
<td>Trojan</td>
<td><strong>66.30</strong></td>
<td><strong>5.63</strong></td>
<td><strong>0.74</strong></td>
<td><strong>28.04</strong></td>
<td><strong>14565</strong></td>
<td><strong>6</strong></td>
</tr>
<tr>
<td>Titan</td>
<td>81.30</td>
<td>3.81</td>
<td>0.71</td>
<td>25.65</td>
<td>14751</td>
<td>1.5</td>
</tr>
<tr>
<td>Mogul</td>
<td>47.00</td>
<td>3.68</td>
<td>0.84</td>
<td>23.72</td>
<td>14917</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>70.80</td>
<td>3.85</td>
<td>0.78</td>
<td>26.42</td>
<td>14831</td>
<td>3.5</td>
</tr>
</tbody>
</table>

There is a limited open cut potential in the north-eastern section of the coal licences where proximal boreholes indicate shallow coal where the Gething Formation sub crops. Possibilities of extensive underground mining potential are governed by the thickness of the coal seam, its attitude and roof conditions.

Structurally the Adams property is composed of two units: the Adams syncline in the northwest and the Gething Creek syncline in the southeast. The axial portions of both structures have gentle to moderate dips (7°-20°) while dips on the flanks increase to up to 60°. Both structures plunge gently to the southeast.

East of the Adams tenements the Carbon Creek Fault thrusts Triassic and Jurassic rocks from the west over the Cretaceous sediments. From the limited surface and drill hole information, however, faulting in the Adams area within the Cretaceous is minor and decreases to the east within the coal licence applications (Figure 16).
8.5.5 Exploration Potential

There are numerous seams of interest in the Gething Formation, but the Trojan and Titan seams are considered the most likely target economic seams. Historical drilling shows the seams are lenticular, and correlation over large areas is difficult as seams show variability in thickness and lateral extent. But it can be demonstrated with reasonable confidence that they both maintain an approximate thickness of approximately 2m each over the tenement. Historical drilling is sparse in this area of the Peace River Coalfield, and poorly correlated, with few of the holes offering seam nomenclature, but proximal drilling shows the Trojan Seam ranging from 2.08m to 3.2m, and the Titan Seam ranging from 4.56m to 5.64m. Cumulative coal thicknesses observed in boreholes proximal to the tenements range from 1.76m to 16.60m.

The other seams of interest include the Superior, Falls, Gething, Little Mogul, and Mogul. All of the holes that are relevant geologically to the Adams Deposit have been compiled, and show an average total cumulative coal of 7.23m, ranging from 1.76m to 16.60m.

The exploration target for Adams is summarised in Table 24 below:

Table 24: Exploration target range for Adams and Adams West coal licences.

<table>
<thead>
<tr>
<th>Area (Km²)</th>
<th>Thickness Used (m)</th>
<th>Thickness (m) -30%</th>
<th>Thickness (m) +10%</th>
<th>RD (g/cc)Min</th>
<th>RD (g/cc)Max</th>
<th>Coal Low (Mt)</th>
<th>Coal High (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trojan Seam</td>
<td>18.00</td>
<td>2.67</td>
<td>1.87</td>
<td>2.94</td>
<td>1.31</td>
<td>1.61</td>
<td>31</td>
</tr>
<tr>
<td>Titan Seam</td>
<td>18.00</td>
<td>2.55</td>
<td>1.79</td>
<td>2.81</td>
<td>1.31</td>
<td>1.61</td>
<td>30</td>
</tr>
<tr>
<td>Other Seams</td>
<td>18.00</td>
<td>2.35</td>
<td>1.65</td>
<td>2.59</td>
<td>1.31</td>
<td>1.61</td>
<td>27</td>
</tr>
</tbody>
</table>

| TOTALS     | Rounded to nearest 10Mt | 90 | 270 |

Below in Figure 17 are three generalized cross sections across the Adams application areas. They show the synclinal nature of the deposit area.
8.6 SPIEKER AND MT SPIEKER NORTH (CLA417875 & CLA417876)

8.6.1 INTRODUCTION

CLA417875 and CLA417876 (Mt Spieker & Mt Spieker North) were lodged on the 20th June 2011, and the applications were accepted by the British Columbian Ministry of Energy and Mines on the 16th July 2011. These application areas are within 2km of each other.

The application areas consist of 24 sub blocks totaling 18.00 km² within the central section of the Peace River coalfield. Resolve Coal Pty Ltd holds 100% of the licence applications, see Figure 18 below for the tenement location.

Table 25: Licence application details

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Number</th>
<th>Name</th>
<th>Owner</th>
<th>Status</th>
<th>Mining Division</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal Licence Application</td>
<td>417875</td>
<td>Mt Spieker</td>
<td>Resolve Coal Pty Ltd (100%)</td>
<td>Good Standing</td>
<td>Liard</td>
<td>1,350 ha</td>
</tr>
<tr>
<td>Coal Licence Application</td>
<td>417876</td>
<td>Mt Spieker North</td>
<td>Resolve Coal Pty Ltd (100%)</td>
<td>Good Standing</td>
<td>Liard</td>
<td>450 ha</td>
</tr>
</tbody>
</table>

No statutory restrictions are currently known restricting mining development in the Mt Spieker application areas.

8.6.2 LOCATION

The Peace River Coalfield lies within the eastern belt of the Rocky Mountain Foothills, and is a mature coking coal basin, with active mines and including three major project developments proximal to the Mt Spieker tenements. There is established road infrastructure, and an existing heavy coal rail approximately 7km to the south-east. Figure 19 shows the location of the Mt Spieker tenements.
Figure 19: 1:60,000 Geological map Mt Spieker and Mt Spieker North tenements
8.6.3 PHYSIOGRAPHY

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

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

8.6.4 GEOLOGY & COAL QUALITY

The Mt Spieker deposits were identified as part of a target generation strategy aimed at identifying potential coking coal resources within the North East British Columbia Basin’s Peace River coalfield (NEBC). Two areas of interest were located around Mt Spieker, which lies between the Bullmoose and Quintette deposits.

The Mt Spieker region contains known deposits of both Gates and Gething Formation coals, in an area currently hosting a number of coking coal producers.

Both the Gates Formation and Gething Formation coals in the Mt Spieker area exhibit coking qualities with the Gething Formation’s Bird Seam described as a high quality Western Canadian medium volatile coking coal. Other Gething Formation coal seams are present within CLA 417875 Mt Spieker, but due to lack of data are not presented in detail, nor are they included in the exploration targets. Further exploration within the coal licence areas may impact on future coal tonnage determinations.

Table 26 below shows average Gates Formation seam quality from the South Fork Area. (~1km West of Mt Spieker).

<table>
<thead>
<tr>
<th>Moist. %</th>
<th>Ash %</th>
<th>Vol.M. %</th>
<th>F.C. %</th>
<th>TS %</th>
<th>F.S. I.</th>
<th>Product Yield %*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Seam</td>
<td>0.65</td>
<td>6.77</td>
<td>24.10</td>
<td>68.47</td>
<td>0.39</td>
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<td>B Seam</td>
<td>0.86</td>
<td>7.48</td>
<td>24.03</td>
<td>67.62</td>
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<tr>
<td>C Seam</td>
<td>1.07</td>
<td>11.67</td>
<td>23.45</td>
<td>63.80</td>
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<tr>
<td>D Seam</td>
<td>1.26</td>
<td>12.36</td>
<td>24.73</td>
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<tr>
<td>E Seam</td>
<td>1.05</td>
<td>5.95</td>
<td>27.05</td>
<td>65.95</td>
<td>0.64</td>
<td>7.5</td>
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</table>

Table 27 below shows average Gething Formations seam quality from the West Bird area, which partially overlaps Mt Spieker.

<table>
<thead>
<tr>
<th>Ash %</th>
<th>Washing Yield %</th>
<th>Sulphur %</th>
<th>Energy (Kcal/kg)</th>
<th>LM %</th>
<th>VM %</th>
<th>FC %</th>
<th>FSI</th>
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</thead>
<tbody>
<tr>
<td>Bird Seam</td>
<td>8 - 10</td>
<td>80</td>
<td>0.6 – 0.7</td>
<td>7,000 – 8,400</td>
<td>0.3 – 0.7</td>
<td>21 – 24</td>
<td>68 - 71</td>
</tr>
</tbody>
</table>

8.6.5 EXPLORATION POTENTIAL

A separate exploration target has been estimated for Mt Spieker and Mt Spieker North. For Mt Spieker, both the Gates and Gething Formations are potential targets, whilst only the Gething Formation is a target in Mt Spieker North.

8.6.5.1 Mt Spieker Gething Formation

In the 1982 Ranger Oil exploration program final report (BC EMPR Report # 559) two areas with resource estimation were presented. In the first area, 3.8 Mt of in-situ Gething Formation Bird Seam to a depth of 30m is
reported, to the east of the south fork of Bullmoose Creek. In the second area immediately to the east, a further 5.5 Mt of in-situ Gething Formation Bird Seam coal reported. These estimates were based on existing exploration and were not NI 43-101 compliant resource estimates. A large area of these resources lies within the northern section of Resolve Coal’s CLA417875 Mt Spieker tenement. There is further potential for open cut and underground Gething Formation coal resources within CLA417875, as a large portion of the coal licence area is covered by the Gething Formation, or the immediately overlying Moosebar Formation strata.

Mt Spieker Gates Formation

Historic exploration from 1971-2001 has identified a large resource of Gates Formation coals on the main syncline area of the Mt Spieker region, a portion of which sits in the extreme northeast of CLA417875.

Borehole EB-2 drilled as part of the 1975 exploration program run by Mitsui Mining Corp for Nichimen/Brameda (BC EMPR report # 552), intercepted all the major Gates Formation coal seams, including the B seam, which is the main exploration target of the Gates coal seams in the region, for a total of 10.12m of Gates Formation coals. Borehole EB-2 was drilled ~500m east of the CLA417875 boundary and is indicative of the Gates Formation coal seams on the western side of the main syncline, and of what is likely to be found in the northeast portion of CLA417875.

8.6.5.2 Mt Spieker North Gething Formation

The Gething Formation outcrops in CLA417876, and outcrops / sub crops in the surrounding coal licence areas, and was the main focus for early exploration programs in the region. There is no historic drilling within the Mt Spieker North tenement, but surrounding proximal boreholes show an average Bird Seam thickness of 3.02m. The outcropping Gething Formation covers 2.24 km² (or 51%) of the tenement.

Table 28 below shows the Mt Spieker exploration target.

Table 28: Mt Spieker exploration target tonnages

<table>
<thead>
<tr>
<th>Seam</th>
<th>Area</th>
<th>Thickness Used (m)</th>
<th>Thickness (m) -30%</th>
<th>Thickness (m) +10%</th>
<th>RD (g/cc) Min</th>
<th>RD (g/cc) Max</th>
<th>Coal Low (Mt)</th>
<th>Coal High (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gates Formation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D Seam (EB-2 Data)</td>
<td>0.6</td>
<td>1.49</td>
<td>1.04</td>
<td>1.64</td>
<td>1.38</td>
<td>1.59</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>C Seam (EB-2 Data)</td>
<td>0.6</td>
<td>2.29</td>
<td>1.60</td>
<td>2.52</td>
<td>1.38</td>
<td>1.59</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>B Seam (EB-2 Data)</td>
<td>0.6</td>
<td>5.24</td>
<td>3.67</td>
<td>5.76</td>
<td>1.38</td>
<td>1.59</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>A Seam (EB-2 Data)</td>
<td>0.6</td>
<td>1.1</td>
<td>0.77</td>
<td>1.21</td>
<td>1.38</td>
<td>1.59</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Gething Formation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bird (Upper &amp; Lower)</td>
<td>5.5</td>
<td>2.47</td>
<td>1.73</td>
<td>2.72</td>
<td>1.38</td>
<td>1.59</td>
<td>13</td>
<td>24</td>
</tr>
</tbody>
</table>

| Total Gates                  | 6    | 10                  |
| Total Gething                | 13   | 24                  |
| Total                       | 19   | 34                  |

Table 29 below shows the Mt Spieker North exploration target.

Table 29: Mt Spieker North exploration target

<table>
<thead>
<tr>
<th>Seam</th>
<th>Area</th>
<th>Thickness Used (m)</th>
<th>Thickness (m) -30%</th>
<th>Thickness (m) +10%</th>
<th>RD (g/cc) Min</th>
<th>RD (g/cc) Max</th>
<th>Coal Low (Mt)</th>
<th>Coal High (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bird</td>
<td>2.24</td>
<td>3.02</td>
<td>2.114</td>
<td>3.322</td>
<td>1.38</td>
<td>1.59</td>
<td>7</td>
<td>12</td>
</tr>
</tbody>
</table>

| Totals      | 7    | 12                  |
### 8.7 Valuation of Tenements

There are a number of major and junior companies active in the coal mining sector in North East British Columbia. GRI has undertaken an extensive search for information regarding recent coal transactions in this region but unfortunately has been unable to identify what we would regard as a reasonable population sample of relevant information available in the public domain on which we would prefer to base our deliberations.

As the projects that are the subject of this report are regarded as being immature exploration projects any information regarding transactions involving established mining operations is not relevant to the tenements under review. Furthermore, transactions regarding exploration properties are often between private companies with no or little information regarding the terms of the transactions publicly available.

We have, however, found a relatively recent transaction that was completed in August 2010 where the Shougang Group purchased 25% of Kailuan Dehua Mining Co (“Kailuan”). Kailuan owns the Gething Coal Property previously owned by Canadian Dehua International and is located in a very similar geological environment with similar coals as those at the Mt Spieker and Adams properties. Shougang paid US$22.96 million for its 25% of Kailuan, valuing Kailuan at US$91.8 million. Kailuan is reported to target a coal endowment of 255 million tonnes of coking coal. On this basis, the Shougang / Kailuan deal values has placed a price of approximately US$0.36 per tonne of coal endowment. Given that the price per tonne of coal endowment relates to coking coals we have accepted these as reasonable on the basis that similar values anecdotally have been applied to Queensland coking coal assets.

Based on this information, we have structured our valuation of the BC tenements on the coal endowments determined by Resolve for each of its tenements. Resolve has calculated a coal endowment for the BC tenements as set out in Table 30 below.

In our calculations we have firstly discounted the coal endowments determined by Resolve to the midpoint of its calculation range, ie, with Mt Spieker South the mid point is 26.5 derived by (19+34)/2. Secondly, to allow for any discrepancies between the Kailuan Gething property and Resolve’s tenements we have further discounted the price for the coal endowment tonnes as determined by the Shougang / Kailuan transaction. We have applied discount factors of 85% (low value) and 70% (high value) to calculate a value range for Resolve’s tenements. Therefore, for Mt Spieker South the range is determined by taking the mid-point (26.5) multiplying this by $0.36 and then applying the discount factors of (1-0.85) and (1-0.7).

Our valuation of the BC tenements lies in the range $11.6 million to $23.3 million.

The valuation is shown in Table 30.

#### Table 30: Summary – Valuation of BC Tenements

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Coal Tonnage</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MT</td>
<td>MT</td>
</tr>
<tr>
<td>Mount Spieker South</td>
<td>19</td>
<td>34</td>
</tr>
<tr>
<td>North</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Adams and Adams West</td>
<td>90</td>
<td>270</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** For the purpose of this exercise, we have assumed that US$1 = A$1.
9 REFERENCES

9.1 ACCESS TO SENIOR MANAGEMENT

In undertaking the review and valuations GRI received good cooperation from officers of Resolve. Within the time limitations imposed on the review and the availability of management, we are satisfied that we obtained sufficient information to be confident that our observations reasonably reflect the current situation at Resolve.

9.2 SOURCES OF INFORMATION

GRI’s consultants possessed some prior knowledge about the assets of Resolve although they had not personally visited all of the properties they had on previous occasions visited or worked on projects near to Resolves assets that provided them with valuable insight. The knowledge that they did possess came from a variety of sources, including Australian Stock Exchange Company reports, general industry information about the geological and coal’s characteristics for the various areas in which the tenements are held.

Ian Buckingham, GRI’s project team leader, had previously visited the general areas for several of the Queensland tenements and had previously worked on an assignment relating to a Peace River Coalfield project and visited the general area of the coalfield in recent years. More detailed technical, commercial and financial information was supplied by Resolve and a list of these references is to be found in Appendix I.

9.3 BUSINESS AND TECHNICAL PLANNING SYSTEMS

The principal source of reliability in future projections is the quality of the technical and commercial expertise and the systems and processes that go into the planning and developing of the projects. From discussions with the executive management of both companies, GRI is of the opinion that Resolve has the skills, planning systems and the expertise necessary to bring these projects to development.
10 GENERAL

10.1 QUALIFICATIONS

Global Resources & Infrastructure Pty Ltd (“GRI”) is a management consulting company that specialises in providing its services to the resources and infrastructure industries. Ian Buckingham, Managing Director of GRI is GRI’s lead consultant in preparation of this opinion for DMR Corporate Pty Ltd. Mr. Buckingham has worked on over sixty valuation assignments involving gold, silver, molybdenum, diamonds, iron ore, base metals, coal, lithium, petroleum and other resources commodities. He was supported by Mr Hilko Dusseljee, a Senior Associate of GRI.

Specific valuation assignments undertaken by Mr. Buckingham include: providing Specialist’s advice to Grant Samuel when that company provided an IER to Aberfoyle Limited in relation to the takeover offer by Western Metals NL; providing Specialist’s advice to Grant Samuel and to KPMG Corporate Finance when both of those organisations provided the IERs on the takeover offer by Rio Tinto for North Limited and Ashton Mining Limited respectively. As Project Director he managed the project team that undertook a review of the mining, environmental, legal and economic issues associated with the Ok Tedi Mine, PNG; he reviewed and valued the coal assets of PT Kideco, a 12 million tonne per annum Indonesian based coal mining and exporting company, reviewed and valued the assets of both Aulron Energy Limited and Yarrabee Coal Company Pty Ltd as part of the purchase by Aulron Energy Limited of all of the shares in Yarrabee Coal Company through the issue of shares in Aulron Energy Limited; participated in the strategic review team that evaluated and valued the WMC Corridor Sands Project, Mozambique; reviewed and valued the minerals assets and Stuart Oil Shale Project of Southern Pacific Petroleum; valued the Australian coal assets of Kumagai Australia; prepared and completed the “Competent Person’s” Report for the listing of Zeehan Zinc Limited, an Australian base metals company on the Alternative Investment Market (AIM) of the London Stock Exchange. He has also completed valuations of the Cairn Hill Iron Ore project on behalf of IMX Resources, provided a Specialist’s report on the value of the assets of Enterprise Energy and Bandanna Coal Company, valued separate molybdenum and silver projects in Mexico and reviewed an iron ore project in Peru. Mr. Buckingham has also undertaken a number of strategic development assignments evaluating several minerals commodities on behalf of global mining groups.

Ian Buckingham holds a B.App.Sc.(Applied Geology) from the Victorian Institute of Colleges and Fellowship and Associateship Diplomas in Geology (RMIT) with extra studies in mining engineering and primary metallurgy and a MBA from RMIT University. Mr. Buckingham is a Member PESA and AAPG.

Commencing his career as a base metals, gold and diamonds exploration geologist he moved into gas engineering and petroleum exploration and development before establishing himself as a resources analyst in stock broking and investment banking. As an analyst he evaluated and developed financial models for major mining and energy companies. On joining Anderson & Schwab Australia as founding Managing Director, he worked on a significant number of resources projects where his knowledge and expertise in areas such as due diligence, valuation, commercial and technical analyses, concept and strategic development, financial modeling and general mining management have been required. On establishing GRI in 2009 he has carried on his work in the resources and infrastructure industries focusing on project development, strategic analysis and project evaluation. Ian was a member of the committee that re-wrote the VALMIN Code (2005).

Hilko Dusseljee is a Senior Associate of Global Resources & Infrastructure. He holds Bachelor of Accounting Science - BCompt and Hons BCompt degrees from the University of South Africa and completed the Anglo American Corporation’s Management Development Program at the University of South Africa’s School of Business Leadership. Mr Dusseljee is a Fellow of the Australiasian Institute of Mining and Metallurgy (FAusIMM), a member of the Australian Institute of Company Directors (MAICD) and an Associate of CPA Australia (ASA).

Hilko has more than 25 years experience in the resources industry. He has lived and worked in South Africa, Botswana and Australia and during his career, he has gained sound business and financial management experience and has successfully led the financial function of a resources business. He worked with the Anglo American / De Beers Group for 15 years throughout Africa where he held financial management positions at diamond and gold mining operations as well as senior management roles at corporate head offices. In Australia, he was Chief Financial Officer & Company Secretary for Bendigo Mining and played an integral part in the team that built that company from a small explorer to become a gold producer and member of the ASX 200 index with a market capitalisation of $1 billion. He has extensive equity capital experience having managed the raising of nearly $400 million of new capital for Bendigo Mining.
10.2 FEES
GRI will be paid a professional fee plus reasonable expenses for the preparation of this report. The fee is not contingent on the conclusions set out in the report.

10.3 COMPLIANCE
This report has been prepared in accordance with the requirements of the “Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for independent Expert Reports” (The VALMIN Code, 2005).

10.4 DECLARATION
GRI has not previously worked on any assignment associated with Resolve Coal Pty Ltd.

GRI does not have any business relationship with Resolve Coal Pty Ltd or with any companies associated with that company that could reasonably be regarded as being prejudicial to its ability to give an unbiased and independent assessment.

There is no present agreement, arrangement or understanding that GRI will at any time in the future undertake any assignment for Resolve Coal Pty Ltd or any company or organisation associated with Resolve Coal Pty Ltd. Other than as set out herein, neither GRI nor Ian Buckingham nor Hilko Dusseljee has any interest in the companies that are the subjects of this report.

10.5 INDEMNITY
GRI and Ian Buckingham and Hilko Dusseljee have been indemnified by DMR Corporate Pty Ltd as to damages, losses and liabilities relating to or arising out of their engagement to provide this report.

10.6 CONSENT
GRI has given its written consent to the inclusion of this report in DMR Corporate Pty Ltd's IER to be provided to Resolve Coal Pty Ltd’s directors, management or shareholders, pursuant to Australian regulatory requirements. As of this date, GRI has not withdrawn its consent. GRI has not been involved in the preparation of or authorised or caused the issue of any other part of the documentation to be provided to Resolve Coal Pty Ltd’s shareholders, other than this report.

Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with, or attached to any document or used for any other purpose without the prior written consent of GRI to the form and context in which it appears and the purpose of its use.

All of the persons involved in the preparation of this report have consented to the use of this assessment report, for the purpose stated above and in the form and context in which it appears.

10.7 LIMITATION
The statements and opinions contained in this report are given in good faith and, to a considerable extent; reliance has been placed on the information provided by Resolve Coal Pty Ltd. All such information has been presented in a professional manner and GRI believes, on reasonable grounds, that it is true, complete as to material details, and not misleading. The work undertaken for the purpose of this report in no way constitutes a technical audit of any of the assets or records reviewed, and GRI does not warrant that its inquiries have realised all of the matters that an audit might disclose. GRI in no way guarantees or otherwise warrants the achievability of any forecasts of future coal resources that have been provided by Resolve Coal Pty Ltd for use in this report.

The valuations contained in this report has been derived as described in the report and are based on information received from Resolve Coal Pty Ltd and other public sources and the application of the professional judgement of GRI, Ian Buckingham, Hilko Dusseljee and their associates. While every effort has been made to ensure that the valuations contained in this report are reasonable and reflect prevailing market conditions and economic factors, no guarantee can be given that the valuations are correct and that the the valuations will be realised now or in the future.

GRI, Ian Buckingham, Hilko Dusseljee and their associates make no representation or warranty, whether oral, written, or implied, as to the accuracy, completeness, or correctness of the information provided by the valuations contained in this report. Any person, entity, or third party using information provided by this report, or relying on
such information, does so at its own risk and GRI, Ian Buckingham, Hilko Dusseljee and their associates shall have no liability as a result of such reliance.

If GRI, Ian Buckingham, Hilko Dusseljee or their associates is liable for a breach of any warranty implied by any statute, GRI, Ian Buckingham, Hilko Dusseljee and their associates liability is then limited to supplying of this report again or the payment of the cost of having the report supplied again, whichever GRI, Ian Buckingham, Hilko Dusseljee or their associates, in their absolute discretion, elects.

10.8 Factual and Confidentiality Review

A draft copy of this report was provided to officers of DMR Corporate Pty Ltd and to Resolve Coal Pty Ltd for comments as to confidentiality issues, errors of fact or misinterpretation, or substantive disagreements on the assumptions that GRI has adopted. While GRI has included minor corrections and amendments in this final report as a result of comments received, neither the methodology nor conclusions were amended.

GRI gratefully acknowledge the assistance provided by the Directors and officers of DMR Corporate Pty Ltd and Resolve Coal Pty Ltd in facilitating the preparation of this report.

Global Resources & Infrastructure Pty Ltd

IAN D BUCKINGHAM
Managing Director
APPENDIX I – REFERENCES


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Annexure C – Legal report, Queensland Coal Assets

22 September 2011

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

Dear Directors

Legal Report on Exploration Permits and Applications

1. Introduction

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

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

1.3 Resolve Coal:

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

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

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

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

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

We have been instructed to:

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

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

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

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

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

3. **Executive summary**

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

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

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

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

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

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

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

(g) There are existing native title claims over parts of the areas covered by EPC 1754, EPC 1673, EPC 1857, EPCA 2050, and EPCA 2341.
(h) There is an existing Aboriginal cultural heritage site within EPC 1857 which may have an impact on the performance of works required under that EPC.

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

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

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

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

4. **Background of EPCs and EPCAs**

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

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

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

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

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

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

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

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

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

(c) detailing exploration data capture by the applicant prior to the application.
4.5 An exploration permit will not be granted until the applicant provides the security deposit determined appropriate by the Minister for compliance with the permit and the Mineral Act.

4.6 An exploration permit is typically granted in respect of:

(a) all minerals other than coal; or

(b) coal.

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

(a) that the holder must:

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

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

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

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

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

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

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

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

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

(2) a report about a reduction in the area of the permit, given within 2 months after the reduction takes effect;
(3) a report summarising the results of the exploration for the whole of the term of the permit, given within 2 months after the exploration permit ends;

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

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

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

(i) that the holder:

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

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

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

(k) such other conditions as are prescribed; and

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

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

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

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

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

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

(1) discharge a firearm; or
4.9 If the Minister considers that the holder of an exploration permit has failed to comply with any of the conditions of a permit, the Minister may:

(a) cancel the permit; or

(b) impose a penalty on the holder;

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

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

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

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

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

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

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

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

\[
RR = 7\% + \left( \frac{\text{AP} - 100}{\text{AF}} \times 3\% \right)
\]

where:

\text{RR} is the royalty rate; and
AP is the average price per tonne of the coal sold, disposed or used in the quarterly period.

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

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

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

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

5. **EPCs and EPCAs in detail**

5.1 **EPC 1663**

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

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

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

1. the "General Conditions" Version 4 for Exploration Permits dated 26 May 2010;

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

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

(d) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1663.
(e) Pursuant to the requirements under EPC 1663, the minimum work program for the initial 5 year period is as follows:

(1) Year 1
   (A) Data compilation and exploration design
   (B) Geological reconnaissance and mapping

Year 1 Minimum Expenditure = $15,000

(2) Year 2
   (A) Preliminary drilling program
   (B) Geophysical logging
   (C) Sample assaying

Year 2 Minimum Expenditure = $200,000

(3) Year 3
   (A) Database production
   (B) Resource modelling
   (C) Exploration program
   (D) Drilling
   (E) Sample assaying
   (F) Geophysical logging

Year 3 Minimum Expenditure = $485,000

(4) Year 4
   (A) Resource drilling
   (B) Sample assaying
   (C) Geophysical logging

Year 4 Minimum Expenditure = $883,000

(5) Year 5
   (A) Mine planning
(B) Transport and marketing studies

(C) Washability studies

**Year 5 Minimum Expenditure = $255,000**

**Total Minimum Expenditure = $1,838,000**

The information detailed above reflects the Specific Conditions for EPC 1663.

(f) A 'code complaint authority' under the EP Act has been issued for EPC 1663. A financial assurance of $2,500 has been paid in respect of this authority.

5.2 **EPC 1754**

(a) EPC 1754 was granted to Resolve Geo on 29 October 2010 for a period 5 years and will expire on 28 October 2015. The mineral sought under EPC 1754 is limited to coal. Resolve Coal is the pending holder of EPC 1754, and is awaiting the outcome of the transfer to it of EPC 1754 by Resolve Geo.

(b) EPC 1754 consists of 49 sub-blocks totalling 156.50km². The annual rent currently payable under EPC 1754 is $6,225.45.

(c) EPC 1754 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1754 are contained in:

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

(2) the Specific Conditions for EPC 1754, which include the minimum work program and expenditure specified in paragraph 5.2(e) of this Report;

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

(d) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1754.

(e) Pursuant to the requirements under EPC 1754, the minimum work program for the initial 5 year period is as follows:

(1) **Year 1**

(A) Data compilation and exploration design
(B) Geological reconnaissance and mapping

**Year 1 Minimum Expenditure = $40,000**

(2) Year 2

(A) Preliminary drill program, chip and core
(B) Down hole geophysics, assaying

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

(3) Year 3

(A) Further drilling
(B) Down hole geophysics, assaying
(C) Database production, CQ testing
(D) Preliminary resource modelling

**Year 3 Minimum Expenditure = $485,000**

(4) Year 4

(A) Infill resource drilling
(B) Down hole geophysics
(C) Conceptual mine studies

**Year 4 Minimum Expenditure = $883,000**

(5) Year 5

(A) Mine planning feasibility studies
(B) Bulk sampling, CQ testing

**Year 5 Minimum Expenditure = $255,000**

**Total minimum work program expenditure = $1,863,000**

The information detailed above reflects the Specific Conditions for EPC 1754.

(f) A 'code complaint authority' under the EP Act has been issued for EPC 1754. A financial assurance of $2,500 has been paid in respect of this authority.
5.3 **EPC 1969**

(a) EPC 1969 was granted to Resolve Geo on 21 April 2011 for a period 5 years and will expire on 20 April 2016. The mineral sought under EPC 1969 is limited to coal. Resolve Coal is the pending holder of EPC 1969, and is awaiting the outcome of the transfer to it of EPC 1969 by Resolve Geo.

(b) EPC 1969 consists of 50 sub-blocks totalling 161km$^2$. The annual rent currently payable under EPC 1969 is $6,167.50.

(c) Excluded from the area of EPC 1969 is land of an area of 17.964 ha covered by Mining Lease 10277 held by Kagara Ltd, which was granted on 24 February 2005 and expires on 28 February 2015.

(d) EPC 1969 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1969 are contained in:

1. the "General Conditions" Version 5 for Exploration Permits dated 10 December 2010;
2. the Specific Conditions for EPC 1969, which include the minimum work program and expenditure specified in paragraph 5.3(f) of this Report;
3. the Native Title Protection Conditions Version 2 dated October 2010.

(e) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1969.

(f) Pursuant to the requirements under EPC 1969, the minimum work program for the initial 5 year period is as follows:

1. **Year 1**
   
   - (A) Data compilation
   - (B) Non-core drilling
   - (C) Coal analysis
   - (D) Down hole logging
   - (E) Geological mapping

   **Year 1 Minimum Expenditure = $70,000**

2. **Year 2**
(A) Drilling
(B) Lab analysis
(C) Down hole logging
(D) Modelling

Year 2 Minimum Expenditure = $140,000

(3) Year 3

(A) Drilling
(B) Lab analysis
(C) Down hole logging
(D) Geophysical surveys
(E) Modelling

Year 3 Minimum Expenditure = $300,000

(4) Year 4

(A) Drilling
(B) Lab analysis
(C) Down hole logging
(D) Geophysical surveys
(E) Mining study

Year 4 Minimum Expenditure = $810,000

(5) Year 5

(A) Geophysical surveys
(B) Modelling
(C) Mining study

Year 5 Minimum Expenditure = $375,000

Total minimum work program expenditure = $1,695,000
The information detailed above reflects the Specific Conditions for EPC 1969.

(g) A 'code complaint authority' under the EP Act has been issued for EPC 1969. A financial assurance of $2,500 has been paid in respect of this authority.

5.4 EPC 1673

(a) EPC 1673 was granted to Resolve Geo on 29 October 2010 for a period 5 years and will expire on 28 October 2015. The mineral sought under EPC 1673 is limited to coal. Resolve Coal is the pending holder of EPC 1673, and is awaiting the outcome of the transfer to it of EPC 1673 by Resolve Geo.

(b) EPC 1673 consists of 292 sub-blocks totalling 903.20km². The annual rent currently payable under EPC 1673 is $37,098.60.

(c) The Queensland Department Employment, Economic Development and Innovation has noted that Resolve Geo has an interest in future underground coal gasification activity within the EPC 1673 area.

(d) Excluded from the area of EPC 1673 is:

(1) Sterile Land 165 – Mariala National Park;

(2) land of an area of 10.80 ha covered by Mining Lease 60110 held by Dennis Alan Nowland, which was granted on 10 February 1994 and expires on 28 February 2014; and

(3) land of an area of 9 ha covered by Mining Lease 60187 held by Dennis Alan Nowland, which was granted on 14 December 1995 and expires on 31 December 2015.

(e) EPC 1673 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1673 are contained in:

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

(2) the Specific Conditions for EPC 1673, which include the minimum work program and expenditure specified in paragraph 5.4(g) of this Report;

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

(f) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1673.
(g) Pursuant to the requirements under EPC 1673, the minimum work program for the initial 5 year period is as follows:

1. **Year 1**
   
   (A) Data compilation and exploration design
   
   (B) Geological reconnaissance and mapping
   
   (C) First stage drilling program
   
   **Year 1 Minimum Expenditure = $100,000**

2. **Year 2**
   
   (A) Preliminary drilling program
   
   (B) Geophysical logging
   
   (C) Sample assaying
   
   **Year 2 Minimum Expenditure = $310,000**

3. **Year 3**
   
   (A) Database production and exploration planning
   
   (B) Drilling program
   
   (C) Sample assaying
   
   (D) Geophysical logging
   
   **Year 3 Minimum Expenditure = $485,000**

4. **Year 4**
   
   (A) Resource drilling
   
   (B) Sample assaying
   
   (C) Geophysical logging
   
   (D) Conceptual mining studies
   
   **Year 4 Minimum Expenditure = $883,000**

5. **Year 5**
   
   (A) Mine planning
(B) Transport and marketing studies

**Year 5 Minimum Expenditure = $255,000**

Total minimum work program expenditure = $2,033,000

The information detailed above reflects the Specific Conditions for EPC 1673.

(h) A 'code complaint authority' under the EP Act has been issued for EPC 1673. A financial assurance of $2,500 has been paid in respect of this authority.

5.5 **EPC 1954**

(a) EPC 1954 was granted to Resolve Geo on 4 February 2011 for a period 5 years and will expire on 3 February 2016. The mineral sought under EPC 1954 is limited to coal. Resolve Coal is the pending holder of EPC 1954, and is awaiting the outcome of the transfer to it of EPC 1954 by Resolve Geo.

(b) EPC 1954 consists of 11 sub-blocks totalling 34.56km². The annual rent currently payable under EPC 1954 is $1,356.85.

(c) Excluded from the area of EPC 1954 is an area known as "RA 197 – Fairbairn Dam Catchment Area". With respect to the sub-blocks within that catchment area certain conditions are imposed by the Specific Conditions for EPC 1954 including that exploration or works that involve any degree of surface or subsurface disturbance within those sub-blocks are not permitted unless specific approval is given by the Queensland Department of Environment and Resource Management.

(d) EPC 1954 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1954 are contained in:

1. the "General Conditions" Version 5 for Exploration Permits dated 10 December 2010; and

2. the Specific Conditions for EPC 1954, which include the minimum work program and expenditure specified in paragraph 5.5(f) of this Report.

(e) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1954.

(f) Pursuant to the requirements under EPC 1954, the minimum work program for the initial 5 year period is as follows:

1. **Year 1**
(A) Data review and GIS compilation
(B) Reconnaissance mapping to define target sequence
(C) Initial open hole drilling
(D) Downhole logging
(E) Coal analysis and gas assessment

Year 1 Minimum Expenditure = $9,000

(2) Year 2
(A) Further open hole/core drilling – downhole logging
(B) Coal analysis and gas assessment
(C) Revised geological/structural model

Year 2 Minimum Expenditure = $18,000

(3) Year 3
(A) Further core drilling plus downhole logging
(B) Mini sosie 2D/3D surveys
(C) Revised geological model of CM
(D) Coal quality and gas testing
(E) Resource assessment and geostats

Year 3 Minimum Expenditure = $30,000

(4) Year 4
(A) Infill resource drilling
(B) Downhole logging
(C) Mini sosie surveys
(D) Metallurgical testwork, geotechnical work
(E) Revised resource estimation
(F) Coal quality testing

Year 4 Minimum Expenditure = $85,000
(5) Year 5

(A) Infill resource drilling
(B) Down hole logging
(C) Upgraded resource estimation, planning
(D) Coal quality, gas testing
(E) Metallurgical testwork, engineering
(F) Scoping study, economic evaluation
(G) Conceptual mine study

Year 5 Minimum Expenditure = $164,000

Total minimum work program expenditure = $306,000

The information detailed above reflects the Specific Conditions for EPC 1954.

(g) A 'code complaint authority' under the EP Act has been issued for EPC 1954. A financial assurance of $2,500 has been paid in respect of this authority.

5.6 EPC 1857

(a) EPC 1857 was granted to Resolve Geo on 26 July 2011 for a period of 5 years and will expire on 25 July 2016. The mineral sought under EPC 1857 is limited to coal. Resolve Coal is the pending holder of EPC 1857, and is awaiting the outcome of the transfer to it of EPC 1857 by Resolve Geo.

(b) EPC 1857 consists of 90 sub-blocks totalling 290km². The annual rent currently payable under EPC 1857 is $11,101.50.

(c) EPC 1857 contains general conditions listed in paragraphs 4.7 and 4.8 of this Report. Additional conditions applying to EPC 1857 are contained in:

(1) the "General Conditions" Version 5 for Exploration Permits dated 10 December 2010;

(2) the Specific Conditions for EPC 1857, which include the minimum work program and expenditure specified in paragraph 5.6(e) of this Report; and

(3) the Native Title Protection Conditions Version 2 dated October 2010.
(d) As at the date of this Report, Resolve Geo is not in breach of any of the conditions of EPC 1857.

(e) Pursuant to the requirements under EPC 1857, the minimum work program for the initial 5 year period is as follows:

(1) Year 1

(A) Literature review and GIS compilation

(B) Reconnaissance mapping and target interpretation

**Year 1 Minimum Expenditure = $55,000**

(2) Year 2

(A) Scout drilling and down hole geophysics

(B) Coal quality testing

**Year 2 Minimum Expenditure = $300,000**

(3) Year 3

(A) Review of targets

(B) Detailed basin mapping, resource modelling

(C) Drilling of new targets, assaying

(D) Follow up interpretation

**Year 3 Minimum Expenditure = $485,000**

(4) Year 4

(A) As above

(B) Resource drilling

(C) Prefeasibility scoping studies

**Year 4 Minimum Expenditure = $883,000**

(5) Year 5

(A) Resource estimation

(B) Infill drilling

(C) Mine plan scoping studies
Year 5 Minimum Expenditure = $255,000

Total minimum work program expenditure = $1,978,000

The information detailed above reflects the Specific Conditions for EPC 1857.

(f) A 'code complaint authority' under the EP Act has been issued for EPC 1857. A financial assurance of $2,500 has been paid in respect of this authority.

5.7 EPCA 2050

(a) EPCA 2050 was lodged on 1 February 2010 by Resolve Geo. The term sought under EPCA 2050 is for 5 years and the mineral sought will be limited to coal.

(b) EPCA 2050 is not a competing application for the purposes of the Mineral Act.

(c) EPCA 2050 will consist of 25 sub-blocks totalling 79.89km².

(d) A 'code complaint authority' under the EP Act has been issued for EPCA 2050.

5.8 EPCA 2618

(a) EPCA 2618 was lodged on 21 June 2011 by Resolve Coal. The term sought under EPCA 2618 is for 5 years and the mineral sought will be limited to coal.

(b) EPCA 2618 is not a competing application for the purposes of the Mineral Act.

(c) EPCA 2618 will consist of 15 sub-blocks totalling 47.17km².

(d) A 'code complaint authority' under the EP Act has been issued for EPCA 2618.

5.9 EPCA 2341

EPCA 2341 was lodged on 1 February 2011 by Resolve Geo, however it is a competing application for the purposes of the Mineral Act.

6. Native Title Issues

6.1 Background

(a) The decision of the High Court of Australia in *Mabo and Others v The State of Queensland (No.2) (1992) 175 CLR 1* held that the common law of Australia recognises a form of title to land which reflects the
entitlements of Aboriginal people to their traditional lands in accordance with their traditional laws and customs. It called this title to land ‘native title’ and the Commonwealth Parliament attempted to clarify issues surrounding and involving it by passing the Native Title Act 1993 (Cth) (NTA) together with subsequent amendments.

(b) The NTA enabled States to pass legislation providing for the validation of certain acts attributable to it. The Queensland parliament passed the Native Title (Queensland) Act 1993 (Qld). Together, the NTA and State legislation operate to confirm the extinguishment of native title for certain interests in land or for certain acts which occurred in relation to the land.

(c) As a result, within each native title claim area there are parcels and pockets of land where native title has been extinguished. Past acts such as the grant of freehold title to land and certain terms of lease and other tenure may have had the effect of extinguishing native title.

(d) A detailed analysis (beyond the scope of this Report) of land tenure status for each area of the EPCs and EPCAs which fall within a native title claim area is required to determine whether native title has been extinguished in the whole or in part in these areas.

6.2 Native Title Claims

(a) Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court.

(b) The application must then undergo a registration test to determine if it meets certain registration requirements. Once satisfied the application is assigned ‘registered’ status and is registered on the Register of Native Title Claims maintained by the National Native Title Tribunal. Once registered, claimants then have certain procedural rights set out in the NTA including the right to be consulted on or be involved in future acts or negotiations about certain proposed developments or activities in the claim area while their native title application is underway.

6.3 Native Title Determinations

Once a claim has been determined it is recorded on the National Native Title Register. The determination will indicate whether native title exists or does not exist over the application area.

6.4 Notice and Expedited Procedure

(a) Under section 29 of the NTA, before the Queensland Government may grant an exploration permit, it is required to give notice (Section 29 Notice) to certain parties, including:
any registered native title body corporate in relation to any of the land or waters that will be affected by such a grant;

(2) unless there are one or more registered native title bodies corporate in relation to all of the land or waters that will be affected by such a grant:

(A) any registered native title claimant; and

(B) any representative Aboriginal/Torres Strait Islander body,

in relation to any of the land or waters that will be affected by such a grant.

(b) Under section 31 of the NTA, the Queensland Government must give those parties an opportunity to make submissions regarding such a grant and to negotiate with it and the applicant. However, under section 32 of the NTA, the Government is not required to provide this opportunity if it includes a statement in its Section 29 Notice that it considers that such a grant is an act attracting the ‘expedited procedure’. A native title party may, within 4 months of being given a Section 29 Notice, lodge an objection against the inclusion of a statement that the grant attracts the expedited procedure.

(c) The Queensland Government however appears to have a policy of requiring an applicant to accept standard native title protection conditions as a condition of the grant of an exploration permit using the expedited procedure.

6.5 Specific issues and search results

(a) EPC 1663

(1) EPC 1663 is wholly within the Wangan and Jagalingou People claim area and was granted through the expedited procedure.

(2) The claim by the Wangan and Jagalingou People was accepted for registration on 5 July 2004.

(3) An Indigenous Land Use Agreement (ILUA) was registered over that area on 12 December 2008.

(4) EPC 1663 is subject to the standard native title protection conditions.

(b) EPC 1754

(1) EPC 1754 is partly within the Wangan and Jagalingou People claim area and was granted through the expedited procedure.
(2) The claim by the Wangan and Jagalingou People was accepted for registration on 5 July 2004.

(3) An ILUA was registered over that area on 12 December 2008.

(4) EPC 1754 is subject to the standard native title protection conditions.

(c) **EPC 1969**
There are presently no native title claims over the area covered by EPC 1969.

(d) **EPC 1673**

(1) EPC 1673 is wholly within the Bidjara People claim area and was granted through the expedited procedure.

(2) The claim by the Bidjara People was accepted for registration on 12 September 2008.

(3) EPC 1673 is subject to the standard native title protection conditions.

(e) **EPC 1954**
There are presently no native title claims over the area covered by EPC 1954.

(f) **EPC 1857**

(1) EPC 1857 is partly within the Gudjala People claim area.

(2) The claim by the Gudjala People was accepted for registration on 22 April 2005.

(3) EPC 1857 is subject to the standard native title protection conditions.

(g) **EPCA 2050**

(1) EPCA 2050 is partly within the Wangan and Jagalingou People claim area.

(2) The claim by the Wangan and Jagalingou People was accepted for registration on 5 July 2004.

(3) An ILUA was registered over that area on 12 December 2008.

(4) There is an existing objection to the inclusion in the relevant Section 29 Notice of a statement that the grant attracts the
expedited procedure (see paragraph 6.4(b) of this Report), lodged by the Wangan and Jagalingou People on 3 December 2010. Negotiations are currently taking place in respect of that objection.

(h) **EPCA 2618**

There are presently no native title claims over the area covered by EPCA 2618.

(i) **EPCA 2341**

(1) EPCA 2341 is partly within the Wangan and Jagalingou People claim area.

(2) The claim by the Wangan and Jagalingou People was accepted for registration on 5 July 2004.

(3) An ILUA was registered over that area on 12 December 2008.

The information detailed above reflects the information available from the Native Title Vision online service provided by the National Native Title Tribunal and other information obtained from the National Native Title Tribunal.

7. **Aboriginal Cultural Heritage Issues**

7.1 The Department of Environment and Resource Management (DERM) is the main Government agency dealing with Aboriginal cultural heritage sites in Queensland. DERM maintains the Aboriginal and Torres Strait Islander Cultural Heritage Database and Register (ATSICHDR) which is a database including details of significant Aboriginal cultural heritage sites that have been reported to them.

7.2 The *Aboriginal Cultural Heritage Act 2003* (Qld) (*ACH Act*) contains provisions for the recognition, protection and conservation of Aboriginal cultural heritage.

7.3 Significantly, under the ACH Act the relevant Minister may give a person a stop order for an activity if the Minister is satisfied that there are reasonable grounds for concluding that either or both:

(a) in carrying out that activity, the person is or will be harming Aboriginal cultural heritage; and

(b) the carrying out of that activity is having or will have a significant adverse impact on the cultural heritage value of Aboriginal cultural heritage.

7.4 A search of the ATSICHDR for each EPC and EPCA revealed that:

(a) The following Aboriginal cultural heritage site exists on EPC 1857
"Painting".

(b) The coordinates of the site referred to in paragraph 7.4(a) of this Report are:

latitude: -20.32764
longitude: 146.04.

(c) No other Aboriginal cultural heritage sites were recorded on ATSICHDR for the other EPCs and EPCAs.

7.5 The ATSICHDR records are not conclusive but are the only publicly available record of these matters. Before any work is done on an area of an EPC or EPCA (once granted), more detailed searches and analysis of Aboriginal cultural heritage sites, including discussions with the relevant Aboriginal party for the area within which the area of the relevant EPC or EPCA is located, would need to be undertaken.

7.6 With respect to EPC 2050, an agreement is currently being negotiated with the Wangan and Jagalingou People for cultural heritage work to be conducted in the area of EPC 2050

8. Development permits, strategic cropping land and other environmental matters

8.1 Development permits

(a) Under the Sustainable Planning Act 2009 (Qld) (Planning Act), 'development', which includes extracting gravel, rock, sand or soil from the place where it occurs naturally, may only be carried out with a 'development permit' if it is considered 'assessable development' for the purposes of the Planning Act.

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

(c) Section 319 of the Mineral Act however provides that the Planning Act does not apply to development authorised under the Mineral Act.

8.2 Strategic cropping land

(a) The Queensland Government has proposed to implement legislative measures to the Mineral Act to protect strategic cropping lands.

(b) In this regard, parts of the areas of EPC 1954 and EPCA 2618 have been noted as being potential strategic cropping land, which may create delays and changes to area of activity depending on resource location and the degree of interference between those competing land use activities were a mining lease to be granted over the areas of EPC 1954 or EPCA 2618 and open cut extraction works to be utilised.
8.3 **Other environmental matters**

(a) EPC 1969 is partly within an endangered regional ecosystem for the purposes of the *Vegetation Management Act 1999* (Qld).

(b) EPCA 2618 is partly within:

(1) an endangered regional ecosystem for the purposes of the *Vegetation Management Act 1999* (Qld); and

(2) a declared catchment area for the purposes of the *Water Act 2000* (Qld).

(c) Subject to paragraph 8.3(d) of this Report, before any work is done in any of the areas specified in paragraphs 8.3(a) and (b) of this Report, a detailed review and analysis should be conducted to ascertain the affect of any legislative and planning instruments on the ability to carry out such work.

(d) That part of EPCA 2618 within the declared catchment area may be excluded from the final area granted under that application in the same manner as the declared catchment area relating to EPC 1954 has been excluded.

9. **Assumptions and Qualifications**

Our preparation of this Report has relied upon:

9.1 information available from, and provided by, the Queensland Department of Employment, Economic Development and Innovation as at the date of this Report;

9.2 information available from the Queensland Department of Employment, Economic Development and Innovation’s Interactive Resource and Tenure Maps as at the date of this Report;

9.3 information available from, and provided by, the Queensland Department of Environment and Resource Management as at the date of this Report;

9.4 information available from the Native Title Vision service provided by the National Native Title Tribunal as at the date of this Report and information obtained from the National Native Title Tribunal on 26 July 2011; and

9.5 information obtained from the Aboriginal and Torres Strait Islander cultural heritage database and register administered by the Queensland Department of Environment and Resource Management on 28 July 2011 and 3 August 2011;

9.6 information obtained from Resolve Coal,
(which information we have not sought to independently verify).

10. Consent

For the purpose of section 716 of the Corporations Act 2001, Piper Alderman, consents to being named as legal advisers to the offer in the Prospectus (including for the purposes of this consent the electronic form of the Prospectus) and for the inclusion of the Report in the Prospectus, in the form and context in which it is named.

Piper Alderman has not authorised or caused the issue of the Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any other part of the Prospectus.

Piper Alderman has not withdrawn this consent prior to lodgement of the Prospectus with the Australian Securities & Investments Commission.

Yours faithfully
Piper Alderman

Andrew Price
Partner
Strategic Pooled Development Limited
Level 1, 139 Collins Street,
Melbourne, Victoria, 3000

Dear Sirs:

Re: Resolve Coal Pty Ltd. – Coal Licence Applications

Coal Legislation in British Columbia, Canada

We confirm that we have been retained to provide a report and opinion (collectively, the “Report”) pertaining to:

(a) Resolve Coal Pty Ltd.’s (“Resolve”) application for certain coal licences located in the Province of British Columbia, Canada, as more particularly described in Schedule “A” hereto (the “Licence Applications”); and

(b) an overview of the legislation in British Columbia pertaining to coal tenures,

for inclusion in a prospectus dated on or about September 16, 2011 to be issued by Strategic Pooled Development Limited (the “Company”) to be filed with the Australian Securities & Investments Commission and for inclusion in an explanatory statement for a notice of general meeting of the Company to be held in Australia.

2. Scope of Investigation

With respect to the Report we have been instructed to:

(a) advise on the status of the Licence Applications;

(b) conduct the searches listed below;

(c) conduct searches and summarise the effects upon the Licence Applications of any aboriginal or treaty rights; and

(d) provide an opinion on the Resolve’s interest in the Licence Applications and, assuming the Licence Applications are granted, the rights that Resolve would obtain under a coal licence.

For the purposes of this Report, we have examined executed originals or photostatic or facsimile copies of executed originals of the following documents:

(a) the results of a Mineral Titles and Tenure Searches on the website maintained by the Ministry of Sustainable Resource Management of the Government of British Columbia (the “Tenure Searches”), last updated September 7, 2011;
(b) application acceptance letter dated August 2, 2011 from Ministry of Energy and Mines, Mineral Titles Branch; and

(c) a certificate of good standing for Resolve issued by the Province of British Columbia on September 14, 2011.

We have made the searches and other investigations and reviewed the other documents and questions of law which we consider necessary or appropriate for the purposes of this Report.

3. Report Limitations

This Report is limited to the laws of the Province of British Columbia, Canada, including the relevant federal laws of Canada, and, accordingly, this Report does not address the laws of any other jurisdiction nor does it address in detail any laws not directly related to coal tenure although such other laws will impact decisions about coal exploitation including for example and without limitation, environmental, taxation, and aboriginal laws.

4. Executive Summary

As a result of the Tenure Searches and based on and subject to the assumptions and qualifications herein below described, we are of the opinion that:

(a) the Licence Applications have been accepted by the Ministry of Energy, Mines and Petroleum Resources (the “Ministry”) and recorded as set out on Schedule “A” hereto;

(b) Resolve is the recorded holder of the Licence Applications;

(c) according to the Tenure Searches, there are no liens, charges or encumbrances recorded against the Licence Applications as at September 7, 2011; and

(d) if the Licence Applications are granted, Resolve will have the rights as set out in paragraph 7(c) of this Report over the area that is expressed in the Licence Applications.

5. Assumptions

For the purpose of this Report, we have made the following assumptions:

(a) the genuineness of all signatures and the legal capacity of all individuals who have executed relevant documents, records or certificates reviewed by us, the authenticity of all such documents, records or certificates and the conformity to authentic original documents of any copies of such documents, records or certificates which were reviewed by us;

(b) the proper authority of any individual acting or purporting to act in a representative capacity or as a public official;
(c) the accuracy, currency, and completeness of the public records maintained governmental, regulatory or other like authorities with respect to those matters referred to herein; and

(d) the accuracy, currency, truth and completeness of the indices and filing systems and other public records maintained by public offices where we searched or enquired or have caused searches or enquiries to be made and upon such information and advice as provided to us by appropriate governmental, regulatory or other like authorities with respect to those matters referred to herein; and

(e) that in fact and law the Province of British Columbia (the “Provincial Crown”) owns the surface and mineral rights of the lands (the “Crown Land”) in respect of which the License Applications have been made.

6. Qualifications

This Report is subject to the following qualifications:

(a) the documents examined in the Tenure Searches are the only documents we have examined pertaining to title to the Licence Applications;

(b) no searches or other correlations were made with respect to tax assessed by applicable government authorities;

(c) no land title searches, survey records or surface rights have been undertaken; and

(d) we have not investigated:

(i) the compliance with any legal requirements of the original License Applications;

(ii) the location of the boundaries of the Licence Applications; or

(iii) whether there may be any liens, charges or encumbrances in respect of the Licence Applications other than which may be noted in the public records reviewed in the Tenure Searches.

7. Coal Licences in British Columbia

The following is a summary of the principal aspects of government granted coal licences and coal leases in British Columbia, but must be considered to be qualified by reference to the complete contents of the specific legislation referred to.
(a) Coal Act

The Coal Act\(^1\) authorizes the registration of coal titles in British Columbia. The Coal Act is administered by the Ministry. The Ministry is responsible for managing British Columbia’s mineral resources, which includes managing the recording system pertaining to the coal rights in British Columbia. The Ministry maintains records and maps which indicate the location and status of coal titles.

There are two types of coal tenures in British Columbia: coal licences and coal leases.\(^2\) Coal licences provide holders with the exclusive right to explore and develop coal. Coal leases provide lessees with the exclusive right to explore, develop and produce coal.\(^3\)

Under the Coal Act, “coal land” is defined as land in which the coal or the right to explore for, develop and produce coal is vested in or reserved to the Provincial Crown.\(^4\) “Recorded Holders” may enter, occupy and use coal land and prospect for, explore for and produce coal.\(^5\) A “Recorded Holder” is defined as an owner of a coal licence or coal lease.

The Coal Act\(^6\) incorporates the two zone mining policy, which makes all areas including private land available to mining except for areas that fit narrow criteria. On most lands, the Coal Act explicitly gives a priority to coal over other land-use designations, saying no designation can inhibit coal exploration unless it is one of the areas listed in the Coal Act\(^7\). There are prohibitions from exploring for coal near buildings, orchards and dwellings\(^8\) and within the bounds of certain land-use designations: parks, ecological reserves and certain Crown lands subject to an order specifically prohibiting mining\(^9\). Additionally, the Minister has wide discretion to prohibit coal exploration in designated areas and can restrict the use of a person who holds a licence upon giving reasonable notice.

(b) Coal Licence Application Process

A person proposing to explore for and develop coal in British Columbia must first apply to the Minister for a coal licence\(^10\). After receipt of a coal licence application, tenure numbers are issued and the applications are then plotted on coals maps which are maintained by the Mineral Titles Office. The Minister conducts a land status of the application area to determine if the coal rights are held by the Crown. If the application pertains to Crown owned coal, land referrals are sent out to numerous provincial and federal government agencies and aboriginal groups\(^11\) in the application area.

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\(^1\) [SBC 2004] C. 15 (the “Coal Act”)
\(^2\) Coal Act, s. 9(1)(a)
\(^3\) Coal Act, s. 16(1)
\(^4\) Coal Act, s. 2(1)
\(^5\) Coal Act, s. 2(2)
\(^6\) Coal Act, s. 3
\(^7\) Coal Act, s. 2(3)
\(^8\) Supra note 5
\(^9\) Supra note 7
\(^10\) Coal Act, s. 12
\(^11\) See below for further discussion on aboriginal matters pertaining to coal tenures
The Minister uses the information compiled from its own review and the responses received from various applicable provincial and federal government agencies and interested aboriginal groups in determining whether to issue the coal licence. If a coal licence is issued, the issued licences are plotted on the coal maps, and the application tenures are removed.

(c) Rights under Coal Licences

Coal licences provide the holder with the following rights:

(a) exclusive rights to:
   (i) explore for and develop coal on the licence location;
   (ii) with the approval of the chief inspector appointed under the Mines Act\textsuperscript{12}, to mine and remove those quantities of coal the licencee may reasonably require for testing, to a maximum of 100,000 tonnes;

(b) the entitlement to explore for and develop only that coal which is located within the boundaries (continued vertically downward) of the licence location; and

(c) the entitlement to:
   (i) enter, occupy and use the surface of the location of the licence for the purpose of developing coal on that location;
   (ii) subject to entering into an agreement in the form of a free use permit or a licence to cut as stipulated under the Forest Act\textsuperscript{13}, to use and remove timber that was present on the location at the time of the entering of such agreement; and
   (iii) the non-exclusive right to use sand, gravel and rock from the location for use on the location for the purposes of construction that has been approved under the Mines Act without the necessity of obtaining under the Land Act\textsuperscript{14} a licence, lease, permit or other authorization.\textsuperscript{15}

A coal licence is valid for a term of one year from the date of its issue.\textsuperscript{16} The licence is renewable for further one year terms provided the licencee complies with all provisions under the Coal Act and the licence.\textsuperscript{17} Applications to extend the term of a coal licence must be made by the licencee prior to expiry of the licence and be accompanied by the applicable application fee, rental fee (currently $7.00 per ha. increasing to $10.00 per ha. after five

\textsuperscript{12} RSBC 1996] Chapter 293 (the “Mine Act”)
\textsuperscript{13} RSBC 1996] Chapter 157 (the “Forest Act”)
\textsuperscript{14} RSBC 1996] Chapter 245 (the “Land Act”)
\textsuperscript{15} Coal Act, s. 9.
\textsuperscript{16} Coal Act, s. 13(1).
\textsuperscript{17} Coal Act, s. 13(2).
years) and certain data respecting the exploration, development and production of coal as set out in the Coal Act Regulations\textsuperscript{18}. If a licencee has not applied to extend the term of a coal licence prior to the expiry of such licence, the licencee may still apply to extend the term of the licence provided that the application is made not more than 30 days after the expiry of the licence and such application is accompanied by an additional late application fee.

Coal licences will expire if renewal applications are not made in accordance with the provisions set forth above. The Ministry has authority to suspend operations, refuse to renew a coal licence, or terminate a licence due to a licencee’s failure to comply with the \textit{Coal Act}, the terms of the licence, the \textit{Mines Act} or any permits issued thereunder. A restriction on the use of surface rights may be imposed by the British Columbia government should the Minister under the \textit{Coal Act} consider that the surface area is or contains a cultural heritage resource or is so situated that it should be used for purposes other than mining. Lands may also be expropriated under the \textit{Park Act}\textsuperscript{19}. In addition, an area of coal land may, by government regulation, be designated as coal land reserve in which case unless the regulation provides otherwise, exploration, development or the production of coal may not be carried out on a coal land reserve and no permit, license or lease will be issued for a coal land reserve.

\textsuperscript{18} B.C. Reg. 78/2008
\textsuperscript{19} [RSBC 1996] Chapter 344
(d) Coal Leases

A coal lease is required when an operation moves to its production phase. To apply for a coal lease, a licencee must submit an application to the Minister which includes:

(a) the prescribed application fee;
(b) a prescribed rent in respect of the location;
(c) a plan and description of the location under section 17 of the Coal Act; and
(d) a plan of operations showing the exploration, development and production to be carried out on the location during the term of the lease, supported by the date, feasibility studies and other information the Minister may require to evaluate the application.\(^2^0\)

If the Minister is satisfied that the coal lease application is made in accordance with the requirement under the Coal Act, the Minister must issue a lease, containing the terms and conditions required by the Minister to the applicant.\(^2^1\)

(e) Rights under Coal Leases

Coal leases issued under the Coal Act provide the holder with the following rights:

(a) subject to (b) below, the lessee has the exclusive right, in accordance with the terms of the lease and the Coal Act to explore for and produce coal on the location of the lease. Such use must be in accordance with works plans approved under the Mines Act;

(b) subject to (c) below, the lessee does not acquire under a coal lease any rights, title or interest in the surface areas of the location of the lease. The right to use the surface requires approval of work plans under the Mines Act; and

(c) if the surface area of the lease location is legally and beneficially held by the Crown and is used or occupied by the lessee, such lessee is entitled:

(i) enter, occupy and use the surface of the location of the licence for the purpose of developing coal on that location;

(ii) subject to entering into an agreement in the form of a free use permit or a licence to cut as stipulated under the Forest Act, to use and remove timber that was present on the location at the time of the entering of such agreement; and

\(^2^0\) Coal Act, s. 18.
\(^2^1\) Coal Act, s. 18(3).
(iii) the non-exclusive right to use sand, gravel and rock from the location for use on the location for the purposes of construction that has been approved under the Mines Act without the necessity of obtaining under the Land Act a licence, lease, permit or other authorization.

Subject to the provisions of the Coal Act, a coal lease is valid for the term requested by the application, not to exceed 30 years from the date of issuance.\(^{22}\) The lease can be extended for term as requested by the lessee, not to exceed 15 years provided that the holder has complied with the terms of the lease and the Coal Act.\(^{23}\) Applications to extend the term of a coal lease must be made by the lessee prior to expiry of the lease and be accompanied by the applicable application fee, rental fee and certain data respecting the exploration, development and production of coal as set out in the Coal Act Regulations.\(^{24}\) Rental fees must be paid to the Ministry in advance of the year in which they are payable. The Ministry has discretion despite the provisions of a coal lease, if requested by the lessee, to extend the term of the lease on any terms and conditions deemed appropriate.

If, in the opinion of the Ministry, a lessee is in default of the lease by reason of not complying with:

(a) any provision of the lease or the Coal Act; or

(b) any provision of the Mines Act or a permit issued under it,

then the Ministry may issue a notice to the lessee specifying the breach and may require the lessee to cure the default within a certain period of time. If the lessee fails to remedy the breach, to the satisfaction of the Ministry, within the period of time provided in the notice, then the Ministry may:

(a) suspend the operation of the lessee until such default is remedied;

(b) refuse to renew the lease until the breach is remedied; and

(c) after failure to remedy the default during the period of suspension noted in (a) above, to cancel the lease.

In addition to obtaining a coal lease, in order to commence mining surface rights must be negotiated and a Mines Act permit obtained. The principal conditions to a Mines Act permit is that the project has completed its provincial (obtained an Environmental Assessment Certificate from the British Columbia Environmental Assessment Office) and federal Canadian (Ottawa) environmental assessments and has had an acceptable mine plan developed.

The permit process also involves initially establishing terms of reference for the environmental and social impact assessment, public hearings and acceptance by local and

\(^{22}\) Coal Act, s. 19(1).

\(^{23}\) Coal Act, s. 19(2).

\(^{24}\) Coal Act, s. 19(3).
aboriginal peoples. The mining licenses and permits issued in respect of a mine may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. As a condition of the mine permits and mine permit amendments issued the British Columbia government requires that reclamation security deposits be provided in amounts representing the estimated maximum liabilities for restoration and closure for each project.

We have attached as Schedule “B” to this Report a table outlining the key environmental legislation applicable to operating a mine in British Columbia. This table does not include all environmental legislation that may be applicable to specific projects or facilities such as the federal Canadian Environmental Assessment Act (Canada). Additionally proposed developments in northeast British Columbia may be affected due to an ongoing and proposed plan to protect caribou, an identified species at risk under the Species at Risk Act (Canada).

There are other various laws governing prospecting, development, land resumptions, production taxes (Mineral Tax Act), labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local communities, which are beyond the scope of this Report.

8. Aboriginal Issues in British Columbia

The Supreme Court of Canada has determined that there is a legal obligation on the Provincial Crown and Her Majesty the Queen in Right of Canada (the “Federal Crown”, and together with the Provincial Crown, the “Crown”) to consult with aboriginal people before approving any activity that might have an adverse effect on their aboriginal or treaty rights. This consultation may lead to a requirement that there be some accommodation – such as a change in project design – in order to mitigate the impact of the project on those rights.

Since mining activities require many government approvals, and since mining activities almost always have some potential to effect asserted or established aboriginal rights, or treaty rights, this means that the Crown – that is, both the Provincial and Federal regulatory agencies – will be consulting with aboriginal groups in relation to mining activity. This consultation will be required at every stage of a project when a permit or other approval is required, from initial exploration work to final closure of a mine.

The Licence Applications are located in an area of the British Columbia that was settled by Treaty 8.
The initial signatories entered into Treaty 8 in 1899, and subsequently other aboriginal groups whose traditional territories were covered by the area of Treaty 8 joined – or “adhered”- to Treaty 8 after that initial signing. An initial assessment of the aboriginal groups whose traditional territories were in the area of the Licence Applications suggests that the relevant aboriginal groups that the Crown will be obliged to consult with are McLeod Lake Indian Band, West Moberly First Nations, and Saulteau First Nation, all of whom are parties to Treaty 8.

The provisions of Treaty 8 are relatively straightforward. Basically all of the aboriginal groups were allotted reserve lands, which effectively belong to the specific aboriginal group, with the right to continue to hunt, fish and trap throughout the rest of the area of Treaty 8, subject to the Crown’s right to ‘take up’ land outside of the reserves for other purposes, including mining.

Although the duty to consult is owed by the Crown and not the proponent, the proponent is frequently engaged in the consultation process as certain ‘procedural aspects’ of consultation are expressly or implicitly delegated by the Crown to proponents.

If an aboriginal group believes that it was not consulted with adequately by the Crown, then it may challenge a permit or authorization in the courts on that basis. Such court challenges may result in project delays, or potentially put the project at risk of proceeding at all.

In addition to the delegation of procedural aspects of consultation to proponents, there is also a general expectation that proponents will seek to engage with the aboriginal groups in the vicinity of their projects as part of a ‘social licence’, or because of ‘best practices’ such as the guidelines set out by the Mining Association of Canada (“MAC”) under Towards Sustainable Mining (“TSM”). TSM is mandatory for members of MAC, and has just been adopted by the Mining Association of BC.

The law and practice involving aboriginal and treaty issues is a rapidly evolving area and the rules surrounding what will constitute adequate consultation, and what accommodation might be required in any circumstance, are not yet clear.

In practice, there is a general expectation that a proponent will attempt to enter into some form of agreement with the aboriginal groups in the vicinity of the project, and that such an agreement will provide for benefits to the aboriginal communities. These benefits might be an enhanced opportunity for jobs and contracting for its members, but may also involve direct financial payments or other economic consideration from the proponent to the aboriginal groups. Generally speaking, the expectation of direct financial payments is most often associated with a project that is in commercial production rather than at the exploration stage. Although such agreements between proponents and aboriginal groups are not legally required, they are becoming common.
9. **Consent**

For the purpose of section 716 of the Corporations Act 2001 (Cth), McMillan LLP, consents to being named as Canadian legal advisers to the offer in the Prospectus (including for the purposes of this consent the electronic form of the Prospectus) and for the inclusion of the Report in the Prospectus, in the form and context in which it is named and for inclusion of this Report in the form and context in which it appears.

McMillan LLP has not authorised the issue of the Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any other part of the Prospectus.

McMillan LLP has not withdrawn this consent prior to lodgement of the Prospectus with the Australian Securities & Investments Commission.

Yours very truly,

[Signature]

McMillan LLP
Schedule “A”
to the
Report of McMillan LLP
Dated September 14, 2011

<table>
<thead>
<tr>
<th>OWNER</th>
<th>TENURE TYPE</th>
<th>TENURE NO.</th>
<th>TENURE STATUS</th>
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<th>SECONDARY MAP</th>
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<td>Resolve Coal Pty Ltd.</td>
<td>Coal Licence Application</td>
<td>417873</td>
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Schedule “B”
to the
Report of McMillan LLP
Dated September 14, 2011

Applicable Environmental Legislation

<table>
<thead>
<tr>
<th>AUTHORITY</th>
<th>DESCRIPTION</th>
<th>PROJECT FACILITIES</th>
<th>PURPOSE &amp; LEGISLATION</th>
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</thead>
<tbody>
<tr>
<td>EAO</td>
<td>Environmental Assessment Certificate</td>
<td>All</td>
<td>Providing environmental approval in principle and specifying conditions for the project. — <em>Environmental Assessment Act (British Columbia)</em></td>
</tr>
<tr>
<td>MEMPR</td>
<td>Permit Approving the Mine Plan and Reclamation Program</td>
<td>Pits, waste dumps, tailings impoundment, mine infrastructure, construction and reclamation plan, gravel pits</td>
<td>Proving approval for the conceptual life of mine construction, operations, and reclamation and closure plan, and the detailed 5-year mine and reclamation plans. Geotechnical approval of engineering designs for dams and waste embankments — <em>Mines Act (British Columbia)</em></td>
</tr>
<tr>
<td>MEMPR</td>
<td>Coal Lease</td>
<td>Pits, waste dumps plantsite, tailings impoundment, minesite infrastructure</td>
<td>Providing approval for development and operation of a mine on Crown Land — <em>Coal Act (British Columbia)</em></td>
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<tr>
<td>MOE</td>
<td>Water Licences</td>
<td>Sediment ponds, dams, surface withdrawals</td>
<td>Required on some projects to authorize diversion, impoundment, withdrawal and use of surface water — <em>Water Act (British Columbia)</em></td>
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<tr>
<td>MOE</td>
<td>Section 9 Approvals</td>
<td>Diversion and Collection Ditches, Culverts</td>
<td>Authorizing diversion of water, in-stream construction — <em>Water Act (British Columbia)</em></td>
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<tr>
<td>MAL (ILMB)</td>
<td>Crown Land Lease or License of Occupation</td>
<td>Facilities off Coal Licenses and Leases, except roads</td>
<td>Authorizing use of Crown Land for infrastructure development — <em>Land Act (British Columbia)</em></td>
</tr>
<tr>
<td>AUTHORITY</td>
<td>DESCRIPTION</td>
<td>PROJECT FACILITIES</td>
<td>PURPOSE &amp; LEGISLATION</td>
</tr>
<tr>
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<tr>
<td>MOFR</td>
<td>Special Use Permit Roads off Coal Licenses and Leases</td>
<td>Granting tenure for development, upgrading and operational management of roads by mining companies — <em>Forest &amp; Range Practices Act (British Columbia)</em></td>
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<tr>
<td>MOE</td>
<td>Air Permit All facilities, plus point discharges</td>
<td>Authorizing air emissions and approving dust management plans — <em>Environmental Management Act (British Columbia)</em></td>
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<td>MOE</td>
<td>Effluent Permit Settling ponds, sewage treatment facilities</td>
<td>Authorizing discharge of treated water from mine sites — <em>Environmental Management Act (British Columbia)</em></td>
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<td>MOE</td>
<td>Wildlife Permit under Section 19 of Wildlife Act General – project sites</td>
<td>Removal of beaver dams, lowering water table, beaver removal if required — <em>Wildlife Act (British Columbia)</em></td>
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<tr>
<td>MOFR</td>
<td>License to Cut All facilities</td>
<td>Authorizing harvest of merchantable timber — <em>Forest Act (British Columbia)</em></td>
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<tr>
<td>MOFR</td>
<td>Road Use Permit Forest Service Road</td>
<td>Authorizing use of a Forest Service Road — <em>Forest Act (British Columbia)</em></td>
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<td>NHA (PRRD HA)</td>
<td>Potable Water Permit All drinking water systems</td>
<td>Authorizing construction and operation of a water works system — <em>Health Act, Safe Drinking Water Regulation (British Columbia)</em></td>
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<tr>
<td>MOE</td>
<td>Contaminated Site Management Any contaminated area, i.e. Fuelling and Maintenance Shop areas</td>
<td>Defining methods and standards for site management — <em>Contaminated Sites Act &amp; Regulation (British Columbia)</em></td>
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</tr>
<tr>
<td>AUTHORITY</td>
<td>DESCRIPTION</td>
<td>PROJECT FACILITIES</td>
<td>PURPOSE &amp; LEGISLATION</td>
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Abbreviations:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>EAO</td>
<td>Environmental Assessment Office</td>
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<tr>
<td>MEMPR</td>
<td>Ministry of Energy, Mines and Petroleum Resources</td>
</tr>
<tr>
<td>MOFR</td>
<td>Ministry of Forests and Range</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Environment</td>
</tr>
<tr>
<td>MAL</td>
<td>Ministry of Agriculture Lands</td>
</tr>
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<td>ILMB</td>
<td>Integrated Land Management Bureau</td>
</tr>
<tr>
<td>PRRD</td>
<td>Peace River District</td>
</tr>
<tr>
<td>NHA</td>
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