

SALVA

Mining Consultants



Golden Energy and Resource Limited
PT Borneo Indobara Concession (BIB)

Independent Qualified Person Report
October 2016

Golden Energy And Resource Ltd (“Gear”)

PT Borneo Indobara Concession (BIB)

Independent Qualified Persons Report

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Key Abbreviations

°	Degrees
\$ or USD	United States Dollar
adb	Air dried basis, a basis on which coal quality is measured
AMSL	Above Mean Sea Level
AMDAL	Analisis Mengenai Dampak Lingkungan Hidup- Environmental Impact Assessment (EIA), which contains three sections, the ANDAL, the RKL and the RPL
ANDAL	Analisis Dampak Lingkungan Hidup, component of the AMDAL that reports the significant environmental impacts of the proposed mining activity
ar	As received basis
ASR	Average stripping ratio
AusIMM	Australasian Institute of Mining and Metallurgy
Batter	Slope of Advancing Mine Strip
bcm	bank cubic meter
BD	bulk density
CCoW	Coal Contract of Work
CHPP	Coal Handling and Processing Plant
CV	Calorific value
Capex	Capital Expenditure
Mineral Resource	A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Coal Reserve	A 'Coal Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.
DCF	Discounted cash flow
DGMC	Directorate General of Minerals and Coal within the Ministry of Energy and Mineral Resources
FC	Fixed Carbon
gar	gross as received, a basis on which coal quality is measured

GCV	Gross Calorific Value, "The Gross Calorific Value of coal is the amount of heat produced by its complete combustion of its unit quantity." It is usually expressed in kcal/kg unit.
GEAR	Golden Energy and Resources Ltd.
ha	Hectare(s)
HGI	Hardgrove Grindability Index
IM	Inherent Moisture
IPPKH	'Izin Pinjam Pakai Kawasan Hutan' which translates to a borrow to use permit in a production forest
IRR	Internal Rate of Return
IUP	'Izin Usaha Pertambangan' which translates to 'Mining Business License'
JORC	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, Australian Institute of Geoscientists and Mineral Council of Australia
K	thousand
kcal/kg	Unit of energy (kilocalorie) per kilogram
kg	kilogram
km	Kilometers(s)
km ²	Square kilometre(s)
kV kilovolt	kV kilovolt
M	Meter
lcm	loose cubic metre
LOM	Life of Mine
M	Million
Mbcm	Million bank cubic metres
Mbcmpa	Million bank cubic metres per annum
MEMR	Ministry of Energy and Mineral Resources within the central government
m RL	metres reduced level
m ³	cubic metre
Mt	Millions of tonnes
Mtpa	Millions of tonnes per annum
MW	Megawatt
NAR	Net as received
NPV	Net present value
NTA	Net tangible assets
Opex	Operating expenditure
PKP2B	'Perjanjian Kerjasama Perusahaan Pertambangan Batubara' – same as CCoW
RD	Relative density
RKL	'Rencana Pengelolaan Lingkungan' - environmental management plan
ROM	Run of Mine
RKL	Relative Level - survey reference for height of landforms above a datum level

RPL	'Rencana Pemantauan Lingkungan' - environmental monitoring plan
Salva Mining	Salva Mining Pty Ltd.
SE	Specific Energy
SR	Strip ratio (of waste to ROM coal) expressed as bcm per tonne
t	Tonne
tkm	Tonne kilometer
tph	Tonnes per hour
tpa	Tonnes per annum
TM	Total Moisture (%)
TS	Total Sulphur (%)
United Fiber	United Fiber System Limited
VALMIN	2015 Edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
VM	Volatile Matter (%)
WACC	Weighted Average Cost of Capital

Executive Summary

Introduction

Golden Energy and Resources Limited (“GEAR” or “Client”) has engaged Salva Mining Pty Ltd (“Salva Mining”) to prepare a mineral asset valuation and an Independent Qualified Persons Report (“Report”) of the PT. Borneo Indobara coal concession (“BIB Mine” or “BIB”) located in the Tanah Bumbu Regency of the South Kalimantan Province, Indonesia.

The Qualified Persons Report is to be presented to Golden Energy and Resources Ltd. shareholders as part of continuous disclosure requirements of the company. The independent valuation has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (VALMIN Code 2015).

The BIB concession is beneficially owned and controlled by GEAR. The BIB concession is a second generation PKP2B coal concession (“CCoW”) covering a total area of 24,100 ha. The BIB concession consists of following 5 coal blocks:

- Kusan Girimulya Block (“KG Block”);
- Sebambar North Block (“SN Block”);
- Sebambar South Block (“SS Block”);
- Batulaki Block (“BS Block”) and
- Pasopati Block (“PP Block”).

Conventional open-pit coal mining operations were commenced in the SS and BS blocks in 2005, KG block in 2011 and in the SN block in 2015.

Coal Resources

An independent estimate of Coal Resources within the BIB Concession was prepared by Salva Mining. Coal Resources have been estimated, classified and reported according to the JORC Code (2012) and the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (2014) as at 31 August 2016. The Coal Resources are detailed in Tables below.

Coal Resources, BIB Mine, 31 August 2016

Coal Resources (Mt)										
Area	Measured	Ash%	CV	Indicated	Ash%	CV	Inferred	Ash%	CV	Total
		(adb)	adb Kcal/kg		(adb)	adb Kcal/kg		adb	adb Kcal/kg	
KG	859	5.38	5,329	278	6.09	5,297	335	6.63	5,266	1,472
BS	21	4.71	5,567	27	5.61	5,560	155	5.94	5,563	203
SS	18	6.22	5,510	10	6.29	5,559	15	5.59	5,570	42
SN	11	4.69	5,357	10	6.17	5,258	50	6.97	5,078	71
PP	10	8.58	6,716	10	9.32	6,593	10	8.48	6,615	31
Total	919			335			565			1,819

*Mineral Resources are reported inclusive of the Mineral Reserves
(Note: individual totals may differ due to rounding)*

Coal Reserves

An independent estimate of the Reserves within the BIB concession was prepared by Salva Mining. Coal Resources have been estimated, classified and reported according to the JORC Code (2012). Salva Mining prepared the Coal Reserve estimate as at 31 August 2016 on the basis for the Coal Resource estimate as at that date after application of appropriate modifying factors.

Coal Reserves, BIB Mine, 31 August 2016

Block	Reserve (Mt)			RD adb t/m3	TM arb %	IM adb %	Ash adb %	CV arb Kcal/kg	TS adb %
	Proved	Probable	Total						
KG	485.1	120.2	605.3	1.38	35.3	15.42	5.16	4,085	0.22
BS	13.7	6.6	20.3	1.37	33.5	13.18	6.31	4,207	0.17
SS	11.4	4.5	15.9	1.47	38.6	12.49	5.84	3,866	0.21
SN	5.3	3.6	9.0	1.37	38.5	16.69	4.6	3,942	0.14
PP	3.0	1.2	4.2	1.33	8.65	6.14	12.48	6,528	1.39
Total	518.5	136.2	654.7	1.38	35.21	15.23	5.22	4,097	0.22

Life of Mine Schedule

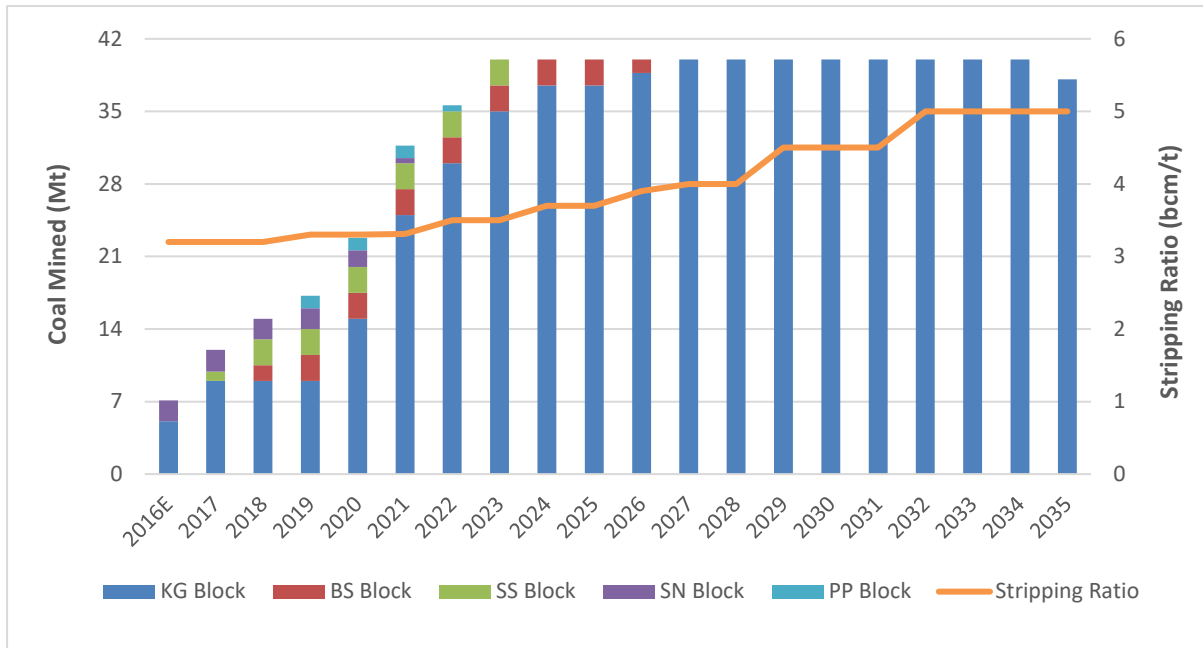
The BIB Mine has been operating since 2005 (Kusan-Girimulya Pit started from 2011). It has produced 4.1 Mt in 2013, 4.6 Mt in 2014, 6.3 Mt in 2015 and expected to produce 7.1 Mt in 2016.

Prefeasibility studies were completed prior to commencement of mining operations. These studies were accepted as part of the approval process by the Director General of Minerals and Coal, Ministry of Energy and Minerals, Republic of Indonesia prior to being given mining operations approval (CCoW).

Where an entity has an operating mine for an Ore Reserve, its Life of Mine Plan would generally be expected to contain information at better than Pre-Feasibility or Feasibility level for the whole range of inputs normally required for a Pre-Feasibility or Feasibility study and this would meet the requirement in Clause 29 for the Ore Reserve to continue that classification. Salva Mining has used actual modifying factors based on current operations at the BIB Mine which were independently verified by the Salva Mining's subject specialist during the site visit. In Salva Mining's opinion, the Modifying Factors at the BIB Mine are better defined based on actual mining practices compared to a Greenfield project at Pre-Feasibility stage.

As per Salva Mining's preliminary production schedule, the minable tonnes over life of mine (LOM) are expected to be 654.7 Mt and the corresponding waste mining would be 2,698 Mbcm. The LOM Stripping ratio is expected to be at 4.12 bcm/t of coal mined. The schedule targeted production of 2.3 Mt for the remaining period in 2016 (7.1 Mt estimate for FY 2016), increasing to 12 Mt in 2017 and 23 Mt by year 5 with peak production of 40 Mt from year 8 onwards. Coal mining from SS Block is expected to commence 2017, BS Block in 2018 while the coal from the Pasopati block, which is higher energy, scheduled from 2019 onwards.

Life of Mine Schedule



It is proposed mining at BIB Mine to be conducted by contract operators. The company will deploy management persons for critical areas, manage site infrastructure and coal evacuation logistics only.

Logistics

Coal handling and processing infrastructure are already in place at the BIB Mine. The infrastructure includes a Run of Mine (ROM) stockpile, a crushing and screening plant at ROM stockpile, a stockpile and another crushing circuit at Bunati Port and a jetty & barge loading conveyor at the Bunati Port. Golden Energy and Resources (GEAR) is presently using a dedicated haul road to haul coal from the KG and SN Block to this port.

A substantial upgrade to coal handling infrastructure is required to achieve the planned production targets from the KG Block of 40 Mt. A dedicated haulage road from the KG Block to the Bunati Port, capable of handling up to 60 tonne trucks has been completed. The construction for Stage I connecting the Kusan Block to the Bunati Port was completed in 2015. Stage II upgrade connecting the Kusan Sub block to the Girimulya Sub block is also scheduled for completed by end of 2016.

In addition, GEAR is proposing to build an overland conveyor belt system from the KG block to the Port to handle production of up to 40 Mtpa. The conveyor system is planned to be commissioned in 2021. At an estimated capital cost of US \$72.5M, the conveyor will reduce the KG Block operating cost by ~\$3.10/t of coal produced.

Capital and Operating Cost

The overall estimated capital cost for the project (including land compensation for life of mine and contingency) is as follows:

Capital Cost (Real Terms)

Particulars	Direct Cost (\$M)	Contingency (\$M)	Total Cost (\$M)
Land Compensation	42.5	6.4	48.9
Land Compensation	42.5	6.4	48.9
Diversion Channel	6.0	0.9	6.9
Road from Pit to ROM Stockpile	1.0	0.2	1.2
Workshop, Office and Laboratory	2.5	0.4	2.9
Backup Power Generation	1.5	0.2	1.7
Explosive Magazine and Site Preparation	1.0	0.2	1.2
Miscellaneous Roads	0.8	0.1	0.9
Coal Power Station and Distribution	0.0	0.0	0.0
Coal Handling Equipment	8.0	1.2	9.2
ROM - Crushing and Screening	30.0	4.5	34.5
Contractor Mobilisation	5.0	0.8	8.5
Accommodation Camp	6.0	0.9	6.9
Fuel Storage	3.0	0.5	3.5
Water supply and Sewage System	1.0	0.2	1.2
Communications	0.5	0.1	0.6
Mine Infrastructure	66.3	9.9	76.2
Haul Road Construction	0.0	0.0	0.0
Overland Conveyor	63.0	9.5	72.5
Hauling to Jetty	63.0	9.5	72.5
Port Stockpile and Jetty	60.0	9.0	69.0
Port Facilities	60.0	9.0	69.0
Additional Studies	4.0	0.6	4.6
Other Capital Expenses	4.0	0.6	4.6
Total Project Capital	235.8	35.4	271.1

Salva Mining estimated total operating costs for mining and other activities including coal hauling, barging and port handling charges. At this level of study these estimates are considered reasonable. The cost components are given in Table below.

Average Unit Operating Cost (Real Terms) over Life of Mine

Cost Item	\$/t
Land Clearing	\$0.01
Topsoil Removal	\$0.03
Waste Mining	\$7.42
Waste Overhaul	\$0.58
Coal Mining	\$0.70
Haul to ROM stockpile	\$0.57
ROM Coal Handling	\$0.30
Haul to Port Stockpile	\$0.97
Port Stockpile and Barge loading	\$0.70
Barging	\$1.15

Transshipment	\$1.30
Mine Closure	\$0.05
Environmental and Rehabilitation	\$0.10
Dewatering and Water Treatment	\$0.05
Salary and Wages	\$0.25
Camp and Accommodation	\$0.05
Medical & Community Development	\$0.05
Land Use Payment	\$0.25
Corporate Overheads	\$0.50
Local Government Fees	\$0.25
VAT	\$1.20
Contingency	\$0.82
Operating Cost Excl. Royalty	\$17.31
Royalty	\$4.47
Operating Cost Incl. Royalty	\$21.78

The unit operating costs are reasonable when compared to industry standards by Salva Mining.

Price Outlook

Asian trade in the thermal coal market has increased significantly in the last five years, growing from 528Mt in 2010 to 685 Mt in 2015, registering an impressive compound average growth rate (CAGR) of 7.21%. During this period, China and India who have increased their combined market share of seaborne thermal coal imports from 26% (191Mt) in 2010 to 42% (301Mt) in 2015, accounting for over 90% of demand growth over the period.

The major suppliers of thermal coal into the Asian region are Indonesia and Australia, who are also the largest two exporters of thermal coal globally. China was a significant exporter up to 2008, with exports as high as 75Mt in 2004, but volumes have fallen in recent years due to strong domestic demand and prices, and in 2015 thermal exports from China were only 1.1Mt. Other exporters into the Asian region include South Africa (44Mt to Asia, primarily to India) and the USA (6Mt went into Asia). These exporters are both further from Asia than Indonesia and Australia, and therefore face higher freight costs, which makes them the marginal suppliers into Asia. As a result, generally speaking, any increase in Indonesian or Australian thermal coal exports will displace supply from the USA (first) and then South Africa (with the exception of India).

Going forward, Indonesia is expected to remain the world's largest exporter of thermal coal as Indonesian coal mines are historically sitting at the lower end of the global production cost curve. Export of coal from Indonesia is forecast to grow at a slower pace as most of the incremental tonnes will be used in burgeoning demand from domestic market.

To estimate the long term price for the BIB Mine, Salva Mining has adopted the latest brokers and analyst forecast for thermal coal prices ex Newcastle (\$/t, FOB) as a benchmark thermal coal price. The data which was collected by Consensus Economics Inc. in August 2016, included forecasts of future prices for coal of CV 6,322 kcal/kg (gar). Salva Mining has adopted an average of forecast prices as a reasonable benchmark price.

Although the coal from Pasopati Block has higher CV than the Newcastle benchmark, Salva Mining have used benchmark price forecast as the price for coal from Pasopati block (HRC Coal). Salva Mining have applied the historical price differential to estimate price to low rank sub bituminous (higher moisture, lower CV coal from other blocks (LRC Coal). The projected price for the BIB Mine coal is shown in Table below.

Coal Price Forecast, US \$/t (Real Terms)

	2016E	2017F	2018F	2019F	2020F	Long Term
Newcastle Coal Index	56.2	52.7	52.7	53.6	53.8	62.5
LRC Coal	32.4	30.3	30.4	30.9	31.0	36.0
HRC Coal	56.2	52.7	52.7	53.6	53.8	62.5

Salva Mining has assumed coal prices to remain constant in real terms after 2021.

Other Economic factors

Salva Mining applied appropriate economic and other factors, including VAT, corporate tax, depreciation etc. Discount rate used for determination of discounted cash flow and valuation was assessed as 10.5% WACC (after tax).

Project Valuation and Range

In Salva Mining's opinion, the discounted cash flow (DCF) method is appropriate to value the BIB Mine which is an operating mine undergoing expansion. The valuation model for the BIB Mine was developed in Microsoft Excel. Valuation has been derived from analysis of cash flows calculated for the project over the life of mine. The valuation was designed so that input parameters could be varied to investigate different scenarios to determine an estimated valuation range.

A base case or preferred valuation, along with low and high case was developed using the assumptions discussed in this report.

Salva Mining has further validated the Income based valuation with the Market comparable transaction value and found that income based value range to be within the comparable market transaction range.

Salva Mining's opinion of the technical value and the corresponding project value (on 100% basis), as at 31 August 2016, is shown in Table below. The valuation accounts for high and low cases and the sensitivity.

Valuation Summary

Item	Market Value (US \$M)		
	Lower	Preferred	Upper
Net Present Value, 100% of Project Basis	2,299	2,904	3,509

1 Introduction

Golden Energy and Resource Limited (“GEAR” or “Client”) has engaged Salva Mining Pty Ltd (“Salva Mining”) to prepare a mineral asset valuation and an Independent Qualified Persons Report (“Report”) of the PT. Borneo Indobara coal concession (“BIB Mine” or “BIB”) located in the Tanah Bumbu Regency of the South Kalimantan Province, Indonesia.

The Qualified Persons Report is to be presented to Golden Energy and Resources Ltd. shareholders as part of continuous disclosure requirements. The Qualified Persons Report is intended to comply with Section 5 of SGX-ST Listing Rules Practice Note 6.3. The independent valuation has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (VALMIN Code 2015).

The BIB concession is beneficially owned and controlled by GEAR. The effective date of valuation is the 31 August 2016, the date on which the Resource and Reserves that support this valuation were estimated.

1.1 Scope

Golden Energy and Resources Ltd. has requested that Salva Mining prepare a mineral asset valuation and an Independent Qualified Persons Report (“Report”) for the BIB coal concession (“BIB Mine” or “BIB”) located in the Tanah Bumbu Regency of the South Kalimantan Province, Indonesia. This report covers the mineral asset valuation the BIB coal concession only and not for the entire company which holds the assets.

1.2 Data Sources

This review is based on the information provided by Golden Energy and Resources Ltd., the technical reports of previous consultants and previous owners, PT Golden Energy Mines Tbk (“GEMS”), as well as other published and unpublished data relevant to the project area.

Salva Mining has carried out its own independent assessment of the quality of the geological and mining data. Salva Mining relied on an Independent legal firm “LasutLay & Pane Advocates”, a technical specialist that has carried out independent enquiry regarding the status of agreements, royalties or concession standing pertaining to the assets.

In developing our assumptions for this Statement, Salva Mining has relied upon information provided by the company and information available in the public domain. Key sources are outlined in this Report and all data included in the preparation of this Report has been detailed in the references section of this report. Salva Mining has accepted all information supplied to it in good faith.

1.2.1 Site Visit

Mr. Sonik Suri, Senior Consultant conducted the site visit to the BIB Mine from 24 September to 25 September 2016. Mr. Manish Garg, Director – Advisory / Partner conducted the visit to GEAR offices in Jakarta from 25 September 2016 to 30 September 2016 to review technical studies and commercial information.

1.3 Disclaimer and Warranty

This Report was commissioned by Golden Energy and Resources Ltd. on a fee-for-service basis according to Salva Mining's schedule of rates. Salva Mining's fee is not contingent on the outcome of its valuation or the success or failure for the transaction for which the report was prepared. None of Salva Mining's partners (including Mr. Garg), directors, substantial shareholders and their associates have (or had) a pecuniary or beneficial interest in/or association with any of the Golden Energy and Resources Ltd., or their directors, substantial shareholders, subsidiaries, associated companies, advisors and their associates prior to or during the preparation of this report.

Salva Mining's partners (including Mr. Garg), directors, substantial shareholders and their associates are independent of Golden Energy and Resources Ltd., its directors, substantial shareholders, advisers and their associates.

A draft version of this report was provided to the directors of Golden Energy and Resources Ltd. for comment in respect of omissions and factual accuracy. As recommended in Section 39 of the VALMIN Code, Golden Energy and Resources Ltd. has provided Salva Mining with an indemnity under which Salva Mining is to be compensated for any liability and/or any additional work or expenditure, which:

- Results from Salva Mining's reliance on information provided by Golden Energy and Resources Ltd. and/or their Independent consultants that is materially inaccurate or incomplete, or
- Relates to any consequential extension of workload through queries, questions or public hearings arising from this report.

This report may contain or refer to forward-looking information based on current expectations, including, but not limited to timing of mineral Resource estimates, future exploration or project development programs and the impact of these events on the Golden Energy and Resources Ltd.

Forward-looking information is subject to significant risks and uncertainties, as actual results may differ materially from forecasted results. Forward-looking information is provided as of the date hereof and Salva Mining assumes no responsibility to update or revise them to reflect new events or circumstances.

The conclusions expressed in this report are as on the 31 August 2016, the date on which the Resource and Reserves that support this valuation were estimated. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in US dollars (\$) unless otherwise stated. Salva Mining services exclude any commentary on the fairness or reasonableness of any consideration in relation to these assets.

1.4 Independent Competent Person and Expert Statement

The independent valuation has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (VALMIN Code 2015). This Mineral asset techno-commercial assessment and valuation in this report was prepared by, or under the supervision of Manish Garg (B.Eng. (Minerals Engineering), MAppFinance, MAusIMM, MAICD).

Mr. Garg, Director – Consulting / Partner and a full time employee of Salva Mining has sufficient assessment and valuation experience, which is relevant to the activity he is undertaking to qualify as an Expert as defined in the 2005 Edition of the “Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports” (VALMIN Code 2015).

This report was prepared on behalf of Salva Mining by the signatory to this report, assisted by the subject specialists’ competent persons whose qualifications and experience are set out in Appendix A of this report.



Mr. Manish Garg
Director – Consulting / Partner
Salva Mining Pty Ltd.

1.4.1 Statement of Independence & Fees

This Report was commissioned by Golden Energy and Resources Ltd. on a fee-for-service basis according to Salva Mining’s schedule of rates which varies from USD 100/hr to USD 320/hr depending on the Consultant’s skills and experience. Salva Mining’s fee is not contingent on the outcome of its valuation or the success or failure for the transaction for which the report was prepared. The above mentioned person(s) have no interest whatsoever in the mining assets reviewed and will gain no reward for the provision of this techno-commercial assessment.

Salva Mining’s partners (including Mr. Garg), directors, substantial shareholders and their associates are independent of Golden Energy and Resources Ltd., its directors, substantial shareholders, advisers and their associates.

None of Salva Mining’s partners (including Mr. Garg), directors, substantial shareholders and their associates have (or had) a pecuniary or beneficial interest in/or association with any of the Golden Energy and Resources Ltd., or their directors, substantial shareholders, subsidiaries, associated companies, advisors and their associates prior to or during the preparation of this report.

2 Project Description

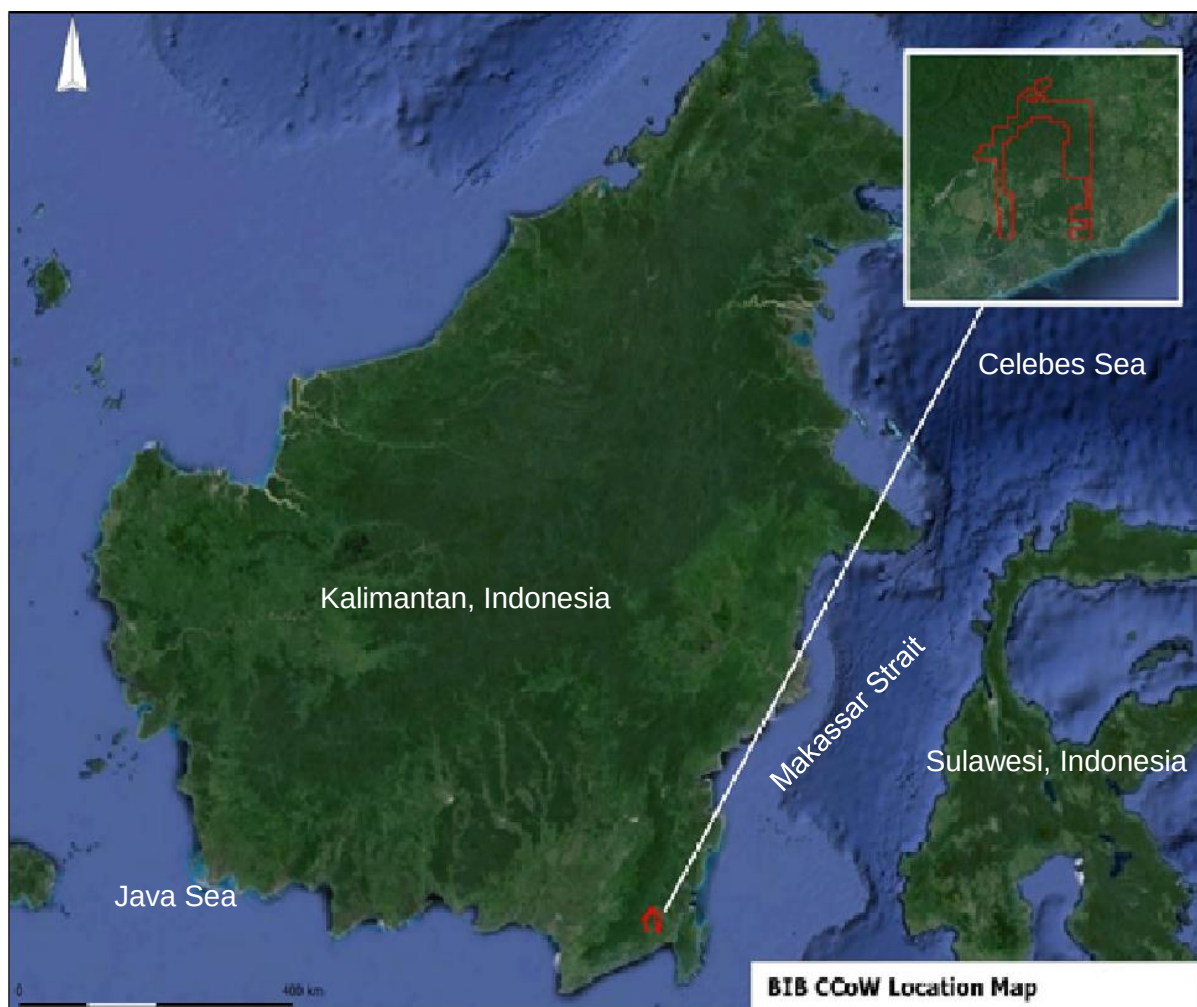
2.1 Property Description and Access

The BIB Mine is located in the Tanah Bumbu Regency of the South Kalimantan Province of Indonesia. The BIB concession is a second generation PKP2B coal concession (“CCoW”) covering a total area of 24,100 ha. The BIB concession is located within the coal mining hub of South Kalimantan province and consists of following 5 coal blocks:

- Kusan Girimulya Pit (“KG Block”);
- Sebamban North Pit (“SN Block”)
- Sebamban South Pit (“SS Block”)
- Batulaki Pit (“BS Block”); and
- Pasopati Pit (“PP Block”).

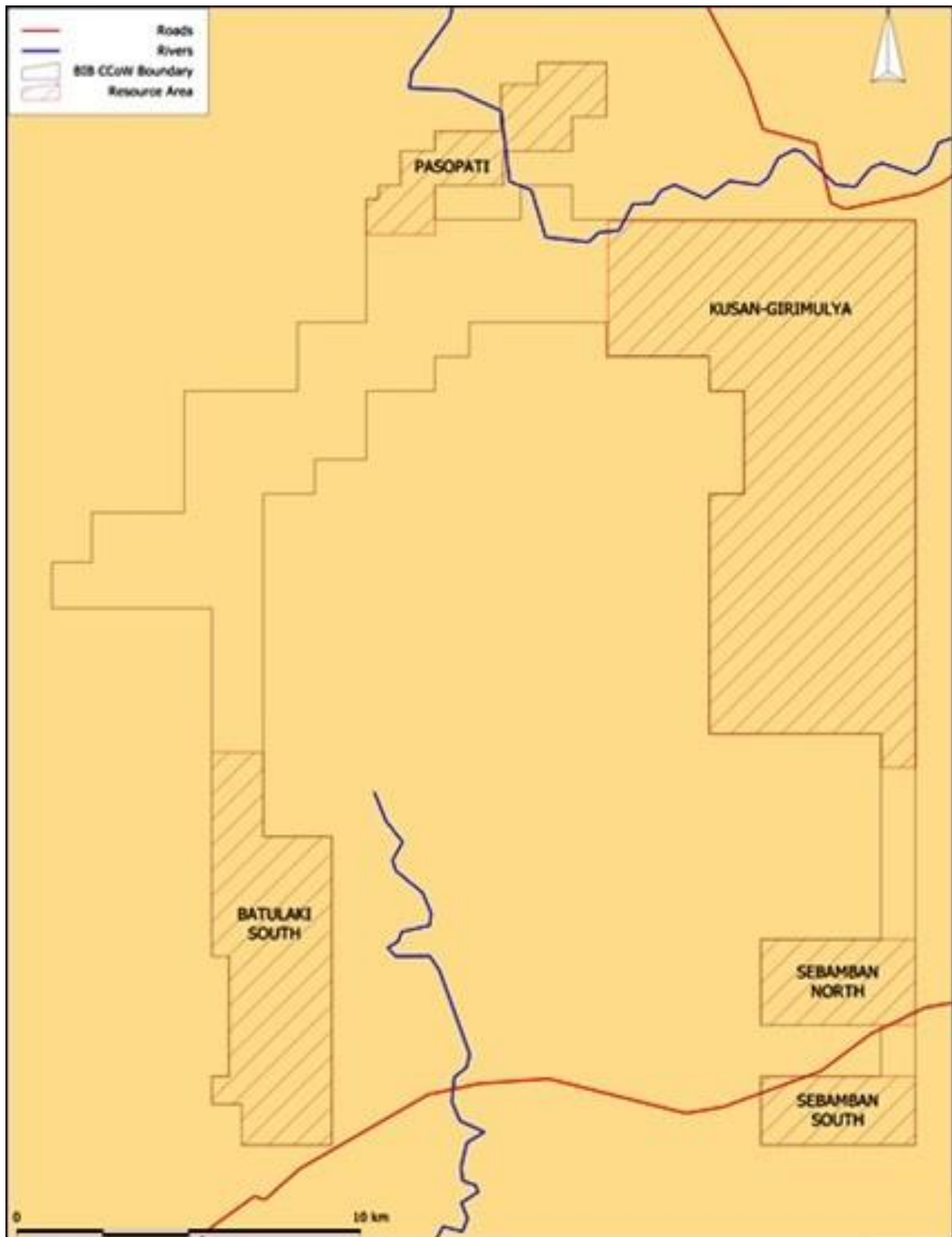
Conventional open-pit coal mining operations was commenced in the SS and BS Blocks in 2005, KG Block in 2011 and SN Block in 2015. At the time of writing of this report, the mining operations are continuing at the BIB Mine. Various mining blocks are located between 6 km to 30 km to the South Kalimantan coastline (**Error! Reference source not found.**).

Figure 2:1 General Location Plan



Locations of individual coal blocks and CCoW boundary is shown in Figure 2:2 below.

Figure 2:2 CCoW Boundary and Location of Individual Coal Blocks



2.2 Ownership and Concession

Golden Energy and Resources (GEAR) holds the mining rights to the BIB concession through its subsidiary PT Roundhill Capital Indonesia.

Tenure at the BIB concession is held under the second generation Perjanjian Kerjasama Pengusahaan Pertambangan Batubara (“PKP2B”). The PKP2B was originally executed on 15 August 1994 between PT Borneo Indobara (“PT BIB”) and PT Tambang Batubara Bukit Asam (“PTBA”), a government owned company for an area of 93,164 ha. Approval to commence production was granted on 17 February 2006 for a period of 30 years for an area of 24,100 ha. The detail of the coal concession is given in Table 2:1.

Table 2:1 BIB Concession Details

Concession Number	Concession Type	Area (ha)	Status	Granted	Expiry	GEAR Net Holding
10.K/40.00/DJB/2006	Perjanjian Kerjasama Pengusahaan Pertambangan Batubara (CCoW)	24,100 ha	Granted	17-Feb-2006	17-Feb-2036	98.0951%

2.3 Tenure

Clause 67 of the VALMIN Code states that status of tenement is Material and requires disclosure. Determination of the status of Tenements is necessary and must be based on a recent independent inquiry, either by the Expert or a Specialist.

LasutLay & Pane (“LLP”), a Jakarta based legal firm, was commissioned to prepare a report in respect of the legal aspects of the mining activities within the BIB concession, solely from the perspective of Indonesian laws. LLP’s scope was to confirm that

- BIB has good title to its mining concessions; and
- BIB has complied with material, applicable provisions of the Mining Law 2009 and its implementing regulations, environmental law, forestry law and other relevant laws (as applicable).

LLP issued its final report on 24 October 2016. The LLP report was made available to Salva Mining for reference in preparing this Report.

2.3.1 Tenure Status

BIB is party to the Coal Contract of Work (CCoW), between PT Borneo Indobara and the Government of Republic Indonesia, dated 15 August 1994 in conjunction with Amendment dated 27 June 1997. The current production operation at BIB concession is supported by subsequent ministerial and directorate decisions as given below:

- **No. 007/PK/PTBA-BI/1994** tentang Perjanjian Kerjasama Pengusahaan Pertambangan Batubara tertanggal 15 Agustus 1994, jo. Amandemen tertanggal 27 Juni 1997 / concerning Cooperation Agreement of Coal Mining Concessions dated 15 August 1994 in conjunction with Amendment dated 27 June 1997 between PT Borneo Indobara and the Government of Republic Indonesia and valid from 15 August 1994 until 30 years following

the initial production phase, covering an area of 112,107 hectares, located at Kotabaru Regency, South Kalimantan Province; in conjunction with

- **Keputusan Menteri Pertambangan dan Energi No.074.K/29/M.PE/1998** tentang Penciutan Ke-I Wilayah Perjanjian Kerjasama Pengusahaan Pertambangan Batubara dan Permulaan Tahap Kegiatan Eksplorasi PT Borneo Indobara / concerning First Reduction of Cooperation Agreement Area of Coal Mining and Initial Exploration Activity Phase of PT Borneo Indobara. Issued by Minister of Mining and Energy (presently known as Minister of Energy and Mineral Resources) and valid through the period of CCOW, covering an area of 84,080 hectares, located at Kotabaru Regency, South Kalimantan Province;
- **Keputusan Direktur Jenderal Pertambangan Umum No. 58.K/20.01/DJP/2000** tentang Penciutan Ke-II Wilayah Perjanjian Kerjasama Pengusahaan Pertambangan Batubara dan Permulaan Tahap Kegiatan Studi Kelayakan PT Borneo Indobara/ concerning Secondary Reduction of Cooperation Agreement Area of Coal Mining and Initial Feasibility Study Phase of PT Borneo Indobara. Issued by the Director General of Mining and valid through the period of CCOW, covering an area of 24,100 hectares, located at Kotabaru Regency, South Kalimantan Province; and
- **Keputusan Menteri Energi dan Sumber Daya Mineral No.10.K/40.00/ DJB/2006** tentang Permulaan Tahap Kegiatan Produksi PKP2B PT Borneo Indobara / concerning CCOW Initial Production Phase, Issued by the Minister of Energy and Mineral Resources and valid from 17 February 2006 until 17 February 2036, covering an area of 24.100 hectares, located at Kotabaru Regency, South Kalimantan Province.

LLP reports that BIB granted Production phase of CCOW are in good standing with permanent rent requirements met.

2.3.2 Forestry Status

LLP further reviewed the Forestry Area Borrow and Use Permits ("IPPKH"). LLP identified the following Forestry Area Borrow and Use Permit which is of relevance to this project:

- **SK.464/Menhut-II/2008** tentang Izin Pinjam Pakai Kawasan Hutan Pada Kawasan Hutan Produksi Tetap Dan Hutan Produksi Yang Dapat Dikonversi Atas Nama PT Borneo Indobara untuk eksploitasi bahan galian batubara dan sarana penunjangnya seluas 881,59 Ha / concerning Borrowing and Use of Forest Area Permit in the Fix Production Forest Area and Convertible Production Forest on behalf of PT Borneo Indobara for Coal Exploitation and its infrastructure covering an area of 881.59 Ha Tanah Bumbu Regency, South Kalimantan Province valid from 17 December 2008 until 17 December 2017 in conjunction with SK.743/Menhut-II/2013 tentang Perubahan Atas Keputusan Menteri Kehutanan Nomor 464/Menhut-II/2008 tertanggal 31 Oktober 2013 / concerning Amendment of Decision of Minister of Forestry Number 464/Menhut-II/2008 dated 31 October 2013 issued by the Minister of Forestry.
- **SK.288/Menhut-II/2010** tentang Izin Pinjam Pakai Kawasan Hutan untuk Eksploitasi Batubara dan Sarana Penunjangnya pada Kawasan Hutan Produksi Terbatas, Hutan Produksi Tetap dan Hutan Produksi yang Dapat Dikonversi Atas Nama PT Borneo Indobara Seluas 2.936,54 Ha tertanggal 27 April 2010 / concerning Borrowing and Use of Forest Area Permit for Coal Exploitation and Its Infrastructure In The Limited Production Forest Area, Fixed Production Forest And Production Forest Which Can Be Converted On Behalf Of PT Borneo Indobara with an area of 2,936.54 Ha in Tanah Bumbu Regency, South Kalimantan Province valid from 27 April 2010 until 27 April 2028 in conjunction with SK.744/Menhut-II/2013 tentang Perubahan Atas Keputusan Menteri Kehutanan Nomor SK.288/Menhut-II/2010 tertanggal 31 Oktober 2013 / concerning Amendment of Decision of Minister of Forestry Number SK.288/Menhut-II/2010 dated 31 October 2013 in

conjunction with SK.384/Menhut-II/2014 tentang Perubahan Kedua Atas Keputusan Menteri Kehutanan Nomor SK.288/Menhut-II/2010 tertanggal 21 April 2014 / concerning The Second Amendment of Decision of Minister of Forestry Number SK.288/Menhut-II/2010 dated 21 April 2014 issued by the Minister of Forestry.

- **SK.864/Menhut-II/2013** tentang Izin Pinjam Pakai Kawasan Hutan Untuk Kegiatan Operasi Produksi Batubara dan Sarana Penunjangnya Pada Kawasan Hutan Produksi Tetap dan Hutan Produksi Yang Dapat Dikonversi Seluas 501,89 Ha Atas Nama PT Borneo Indobara tertanggal 5 Desember 2014 / concerning Borrowing and Use of Forest Area Permit For Coal Production Activity and Its Supporting Facilities in the Fixed Production Forest and Production Forest Area which can be converted on behalf of PT Borneo Indobara covering an area of 501,89 Ha valid from 5 December 2013 until 5 December 2023, issued by the Minister of Forestry.
- **SK.2/Menhut-II/2014** tentang Izin Pinjam Pakai Kawasan Hutan Untuk Kegiatan Operasi Produksi Batubara dan Sarana Penunjangnya Pada Kawasan Hutan Produksi Terbatas dan Hutan Produksi Tetap Seluas 850 Ha Atas Nama PT Borneo Indobara tertanggal 3 Januari 2014 / concerning Borrowing and Use of Forest Area Permit For Coal Production Activity and Its Supporting Facilities in the Limited Production Forest and Fixed Production Forest Area covering an area of 850 Ha on behalf of PT Borneo Indobara valid from 3 January 2014 until 17 February 2036, issued by the Minister of Forestry.
- **SK.533/Menhut-II/2014** tentang Izin Pinjam Pakai Kawasan Hutan Untuk Kegiatan Operasi Produksi Batubara dan Sarana Penunjangnya Pada Kawasan Hutan Produksi Terbatas dan Hutan Produksi Tetap Atas Nama PT Borneo Indobara Seluas 237,92 Ha tertanggal 13 Juni 2014 / concerning Borrowing and Use of Forest Area Permit For Coal Production Activity and Its Supporting Facilities in the Limited Production Forest and Fixed Production Forest Area on behalf of PT Borneo Indobara covering an area of 237.92 Ha valid from 13 June 2014 until 13 June 2034, issued by the Minister of Forestry.

LLP report confirms that BIB's granted Forestry Area Borrow and Use Permits ("IPPKH") are in good standing. Based on the report by LLP, Salva Mining considers the tenement tenure and permits to be in good standing.

3 Coal Resources & Reserves

Resources and Reserves Estimates are presented in the format prescribed in “Appendix 7.5 to the SGX listing rules” in Appendix B.

3.1 Coal Resource

An independent estimate of Coal Resources within the BIB Concession was prepared by Salva Mining and is current as of 31 August 2016. The Coal Resource estimates were prepared in accordance to the 2012 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves” (JORC Code, 2012).

3.1.1 Resource Classification

The coal resources present in the BIB concession have been classified in accordance with the JORC Code, 2012. The JORC Code identifies three levels of confidence in the reporting of Resource categories. These categories are briefly explained below.

Measured – “...That part of a Mineral Resources for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow for the application of Modifying Factors to support detailed mine planning and financial evaluation”;

Indicated – “...That part of a Mineral Resources for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow for the application of Modifying Factors in sufficient detail to support mine planning and evaluation”; and

Inferred – “...That part of a Mineral Resources for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling.”

For the purpose of coal resource classification according to JORC Code (2012) guidelines, Salva Mining has considered a drill-hole with a coal quality sample intersection and core recovery above 90% over the sampled interval as a valid point of observation.

In terms of Coal Resource classification, Salva Mining is also guided by the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (2014) (The Coal Guidelines) specifically referred to under clause 37 of the JORC Code (2012).

Based on due consideration of the continuity of the coal seams as observed in the geological models for each of the five resource areas, the relative lack of evidence for significant faulting and the population statistics of the coal quality composites per seam, Salva Mining has sub-divided Coal Resources within the BIB concession into resource classification categories based on the following spacing's (expressed as a radius of influence around points of observation which is half of the spacing between points of observation):

- Measured 250m or 375m;
- Indicated 500m or 650m; and
- Inferred 2000 m radius of influence.

Larger spacing was used for Measured and Indicated Resource for the KG Block only and are based on geostatistical analysis of raw ash variation in one of the main seams in this block (BL2U).

In general, structural point data is more variable however this is considered to be adequately modelled by the much greater amount of structural data points. Hence classification is based on

the more sparsely distributed coal quality data points as the quality estimate is considered to have the lower confidence in continuity. The resultant classification adequately reflects the CP's view of the deposit.

It is a requirement of the JORC Code (2012) that the likelihood of eventual economic extraction be considered prior to the classification of coal resources. Therefore, given the average coal quality attributes of the coal seams considered, which makes it amenable to be marketed as a thermal coal for power generation purposes, Salva Mining considers that it is reasonable to define all coal seams within the classification distances discussed above, to a depth of 250 m below the topographic surface, as potential open cut coal resources or to a maximum vertical stripping ratio of 15:1 in the case of the more steeply dipping PP Block (where a depth of 250 m below surface would result in overall stripping ratios that are unlikely to be economic due to the steep dips).

3.2 Coal Resource Statement

Coal Resources which have been estimated, classified and reported according to the guidelines outlined in the JORC Code (2012) and the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (2014) as at 31 August 2016 are detailed in Table 3:1 below.

Table 3:1 Coal Resources, BIB Mine, 31 August 2016

Coal Resources (Mt)										
Area	Measured	Ash%	CV	Indicated	Ash%	CV	Inferred	Ash%	CV	Total
		(adb)	adb Kcal/kg		(adb)	adb Kcal/kg		adb	adb Kcal/kg	
KG	859	5.38	5,329	278	6.09	5,297	335	6.63	5,266	1,472
BS	21	4.71	5,567	27	5.61	5,560	155	5.94	5,563	203
SS	18	6.22	5,510	10	6.29	5,559	15	5.59	5,570	42
SN	11	4.69	5,357	10	6.17	5,258	50	6.97	5,078	71
PP	10	8.58	6,716	10	9.32	6,593	10	8.48	6,615	31
Total	919			335			565			1,819

Mineral Resources are reported inclusive of the Mineral Reserves

(Note: individual totals may differ due to rounding)

Final Inferred Resource rounded to nearest 5 Mt.

More detailed discussion of the Resource estimate including the following aspects is included in the Resource and Reserve Report (Appendix C):

- Description of regional and local geology;
- Exploration undertaken to date including the number of boreholes, borehole locations and spacing, drilling and sampling techniques;
- The number of core samples taken and core recovery percentages;
- Criteria used to define points of observation;
- Ore body modelling techniques and procedures;
- Coal quality results, relative density of coal, laboratory used and analytical standards;
- Classification of Resources; and
- Ore body geometry and dimensions.

3.3 Coal Reserves

The Coal Reserves estimates were prepared in accordance to the 2012 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves” (JORC Code, 2012).

3.3.1 Estimation Methodology

An independent estimate of the Reserves within the BIB concession was prepared by Salva Mining as of 31 August 2016. Salva Mining prepared the Coal Reserve estimate on the basis for the Coal Reserve estimate as at that date. The Coal reserves estimates presented in this report are based on the outcome of pit optimisation results and the techno-economics study carried out by Salva Mining.

The subject specialist for Reserves considers the proposed mine plan and mining schedule is techno-economically viable and achievable. This has been done by reviewing all the modifying factors, estimating reserves in the pit shell and doing a strategic production schedule and economic model which confirms a positive cash margin using the cost and revenue factors as described below in this report.

3.4 Modifying Factors

The BIB mine has been operating since 2005 (KG Block started from 2011 and SN block started in 2015). It has produced 6.2 Mt in 2015 and expected to produce 7.1 Mt in 2016.

Prefeasibility studies were completed prior to commencement of mining operations. These studies were accepted as part of the approval process by the Director General of Minerals and Coal, Ministry of Energy and Minerals, Republic of Indonesia prior to being given mining operations approval (CCoW).

Where an entity has an operating mine for an Ore Reserve, its Life of Mine Plan would generally be expected to contain information at better than Pre-Feasibility or Feasibility level for the whole range of inputs normally required for a Pre-Feasibility or Feasibility study and this would meet the requirement in Clause 29 for the Ore Reserve to continue that classification. Where, however, its Life of Mine Plan does not contain information at Pre-Feasibility or Feasibility level, it will have to upgrade its Life of Mine Plan to Pre-Feasibility or Feasibility level before 1 December 2014 or else downgrade the Ore Reserve to a Mineral Resource”.

Salva Mining has used actual modifying factors based on current operations at the BIB Mine which were independently verified by the HDR’s subject specialist during the site visit. In Salva Mining’s opinion, the Modifying Factors at BIB Mine are better defined based on actual mining practices compared to a greenfield project at Pre-Feasibility stage. The following Table 3:2 outlines the factors used to run the mine optimisation and estimate the Coal Reserve tonnage.

Table 3:2 Modifying & Mine Optimisation Factors

Factor	Chosen Criteria
Seam roof & floor coal loss of 0.05 m each	0.10m
Seam roof & floor dilution 0.02 m each	0.04m
Geological & mining loss including loss in transportation and handling	5%
Minimum mining thickness minable coal seam	0.3m
Dilution default density	2.2bcm/t
Dilution default calorific value	500Kcal/kg
Dilution default ash	75%

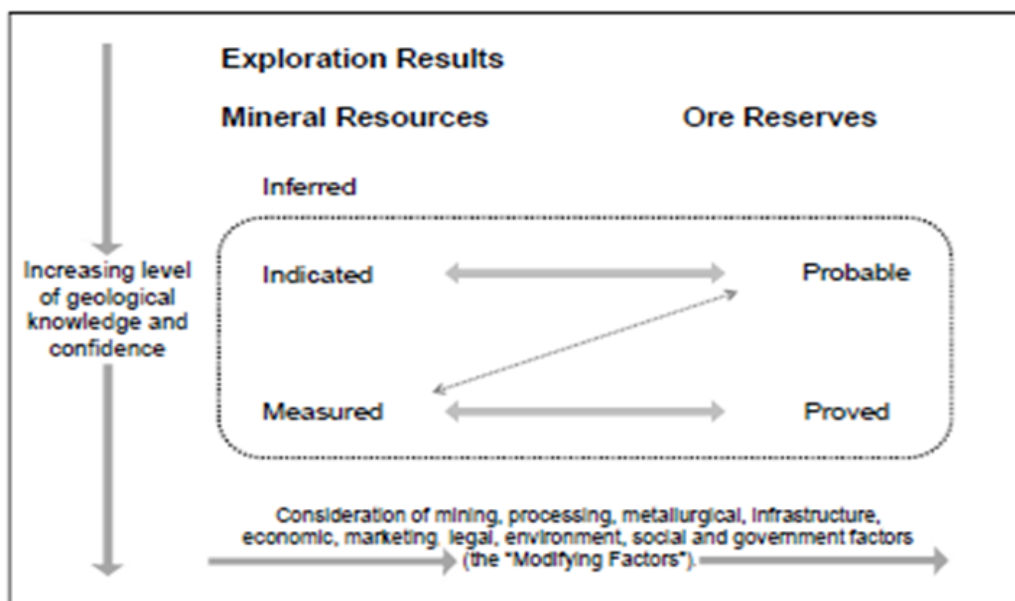
Factor	Chosen Criteria
Overall High-wall and End-wall slope (varies in different blocks)	20 deg to 42 deg
Maximum pit depth	200m max.
Minimum mining width at pit bottom	50m
Exclusion of Mining lease (CCOW) and offset from pit crest	50m
Offset from the river edge	300m
Mining, coal handling and transport cost	Available and Used
Coal selling price for break-even stripping ratio calculation	US\$ 36/t (excl. Pasopati), Pasopati- US\$ 62.5/t
Government approvals	Available & Used
Environment report	Available & Used
Geotechnical report	Available & Used
Hydrogeology report	Available & Used

3.5 Reserves Classification

Under the JORC Code as shown below only Measured and Indicated Coal Resources can be considered for conversion to Coal Reserves after consideration of the “Modifying Factors” including mining, processing, economic, environmental, and social and government factors.

To convert Resources to Reserves it must be demonstrated that extraction could be justified after applying reasonable economic assumptions. Proved Reserves is derived from the highest level geological confidence of established Measured Resources while Probable Reserves is derived from a moderate geological confidence level established Indicated Resources. A level of uncertainty in any one or more of the Modifying Factors may result in Measured Resources converting to Probable Reserves depending on materiality. A high level of uncertainty in any one or more of the Modifying Factors may preclude the conversion of the affected Resources to Reserves (Figure 3:1).

Figure 3:1 General relationships between Mineral Resources & Ore Reserves



Source: JORC Code 2012

This classification is also consistent with the level of detail in the mine planning completed for BIB Coal concession deposits. In the opinion of Salva Mining, the uncertainties in most of these are not sufficiently material to prevent the classifications of areas deemed Measured Resources to be areas of Proved Reserves and areas deemed Indicated Resources to be the areas of Probable Reserves.

3.6 Statement of Coal Reserves

The Statement of Coal Reserves has been prepared in accordance with the 2012 Edition of the JORC Code. The total ROM coal Reserves and Coal Quality is summarised in Table 3:3. Total ROM coal Reserves are same as total marketable coal Reserves.

Table 3:3 Coal Reserves, BIB Mine, and 31 August 2016

Block	Reserve (Mt)			RD adb t/m3	TM arb %	IM adb %	Ash adb %	CV arb Kcal/kg	TS adb %
	Proved	Probable	Total						
KG	485.1	120.2	605.3	1.38	35.3	15.42	5.16	4,085	0.22
BS	13.7	6.6	20.3	1.37	33.5	13.18	6.31	4,207	0.17
SS	11.4	4.5	15.9	1.47	38.6	12.49	5.84	3,866	0.21
SN	5.3	3.6	9.0	1.37	38.5	16.69	4.6	3,942	0.14
PP	3.0	1.2	4.2	1.33	8.65	6.14	12.48	6,528	1.39
Total	518.5	136.2	654.7	1.38	35.21	15.23	5.22	4,097	0.22

More detailed discussion of the Reserve estimate including the following aspects is included in the Resource and Reserve Report (Appendix C):

- Reserve estimation methodology;
- Discussion on Modifying Factors;
- Current Mining Operations;
- Pit Optimisation;
- Pit design considerations;
- Cut off parameters and pit limits;
- Audits and reviews; and
- Reserve Classification and Reserves statements.

4 Mining Schedule

A life of mine (LOM) plan was prepared based on the final pit design. This was done to ensure that the proposed mining method would be practical and achievable and that the proposed dumping strategy would be able to contain the waste mined in the final pit design. This provides a check on the reasonableness of the assumed waste mining costs and estimates the average waste haul per mining period.

Inferred Resources Within Optimized Pit Shell were used to estimate Coal Reserves for the BIB concession. It contains a significant proportion of Coal Resources that are classified as Inferred Resources. Under the JORC Code, these Resources cannot be converted to Reserves because of insufficient boreholes present within reasonable proximity, where core samples were collected and analysed. Hence, these coal resources have been classified as Inferred Resources within optimized pit shell.

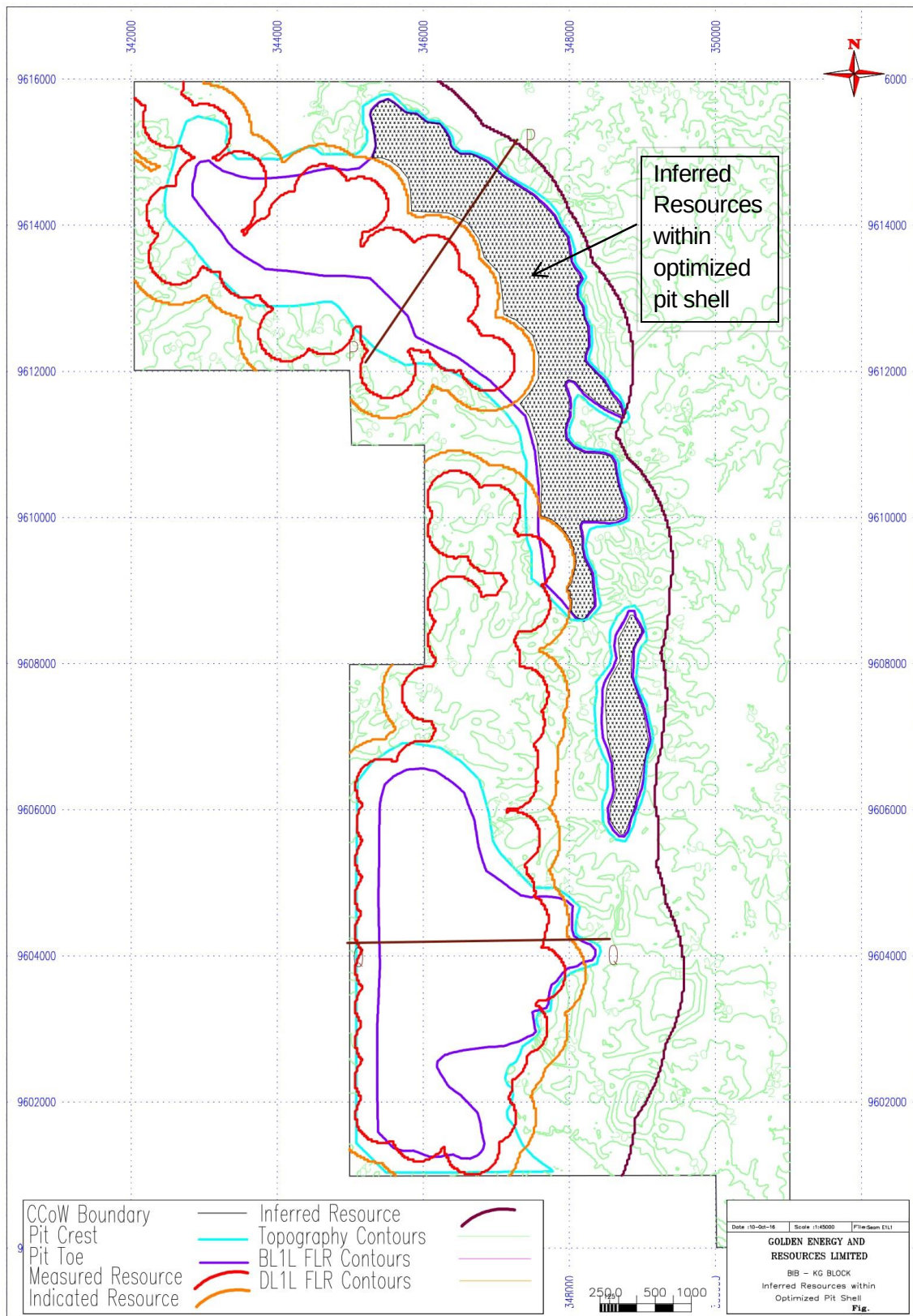
These estimated “Inferred Resources within optimized pit shell” are generally from open hole intersections, where geophysics data at sufficiently close spacing reasonable confirms the continuity and thickness of coal seams and partings.

In the process of Reserve Estimation, Salva Mining has followed the process which aimed to minimize the quantity of Inferred Resources within optimized pit shell. included in the final pit designs. However, under certain circumstances, it was considered necessary to include this coal as exclusion of it would result in an impractical pit design. Typical situations where inclusions of Inferred Resources within optimized pit shell. within the pit design were:

- Inferred Resources within optimized pit shell. located at the sub-crop but with Measured and Indicated coal located down dip;
- Small areas of Inferred Resources within optimized pit shell located close to the high-wall where exclusion would result in unrealistic high-wall shapes; and
- Thin seams in the stratigraphy where it is difficult to achieve sufficient core recovery or sufficient core for analysis to classify the coal as Measured or Indicated, but which are underlain or overlain by thicker seams with Measured and Indicated Resources.

A schematic diagram for KG block showing other minable tonnes for the main seam E1L1 within the designed Pit shell has been shown in Figure 4:1 below.

Figure 4:1 Inferred Resources within optimized pit shell. Seam E1L1



Salva Mining notes that care must be taken with the inclusion of Inferred Resources within optimized pit shell in life of mine schedules to avoid cases where confidence in the thickness, continuity and quality of the coal is so low that resulting pit designs and schedules would be unrealistic. During the Reserve estimation process, the subject specialist inspected these seams and determined an appropriate limit for the final pit shell taking these considerations into account. The quantity of Inferred Resources within optimized pit shell inside the pit designs with Reserves and the scheduled tonnes are shown in Table 4:1.

Table 4:1 LOM Schedule, Inferred Resources within optimized pit shell

Mining Block	Coal Reserves	Inferred Resources within optimized pit shell	Salva Mining Scheduled LOM
KG Block	605.3	54	605.3
BS Block	20.3	21	20.3
SS Block	15.9	3	15.9
SN Block	9.0	3	9.0
PP Block	4.2	3	4.2
Total, BIB	654.7	84	654.7



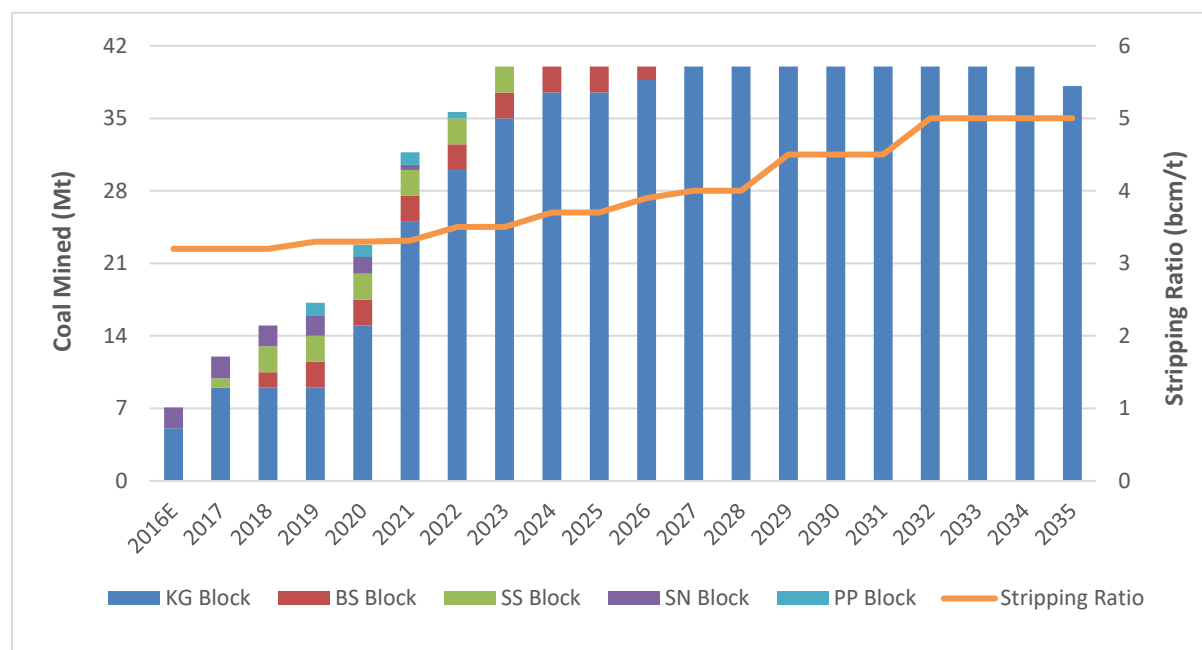
To mitigate the risk associated with the inclusion of Inferred Resources within optimized pit shell tonnes and to be on conservative side, Salva Mining has opted to kept total minable tonnes over LOM to be equal to the quantity of proved and probable reserves only for the purpose of this valuation report. In Salva Mining's opinion, significant upside potential exists to mine these additional "Inferred Resources within optimized pit shell."

4.1 Mine Schedule

As per Salva Mining's preliminary production schedule, the minable tonnes over life of mine are expected to be 654.7 Mt, requiring waste mining of 2,698 Mbcm. The LOM stripping ratio is expected to be at 4.12 bcm/t of coal mined. The schedule targeted production of 2.41 Mt for the remaining of 2016 (7.1Mt estimate for 2016), 12 Mt in 2017, 15 Mt in 2018 and then increasing to 23 Mt by year 5 with peak production of 40 Mt forecast by year 8 onwards (see Figure 4:2).

Coal mining from both SS block is expected to commence 2017, BS Block in 2018 while the coal from the Pasopati block, which is higher energy, scheduled from 2019 onwards

Figure 4:2 Life of Mine Schedule



Salva Mining recommends converting LOM Mine plan into detailed mining schedule reflecting up to 40 Mtpa target production rate. This document will address all the necessary detailed aspects related to the mining and associated activities for this project. Completion of this document will assist in reducing contingency which is factored in the current LOM plan.

4.2 Mining Operations

Currently mining operations for all pits within the BIB concession is carried out by conventional open pit mining method using truck and excavator combination. Mining of both coal and waste are outsourced to third party contractor, which are a common practice in Indonesia.

Mining operation commenced in 2005 at both Sebamban south (SS Block) and Batulaki (BS Block). Mining at Sebamban South pit ceased in 2014 due to land acquisition issues. Currently the mine is under care and maintenance. At the time of writing of this report, the negotiation with land owners to gain access to SS block was at an advanced stage. In Salva Mining's opinion, the mining operations at SS Block can recommence quickly once the required land is acquired. GEAR plans to re-commence operations at SS Block during 2017 while it plans to re-commence production at BS Block in 2018.

Mining at the Kusan pit (KG) commenced in 2011. The mining method at KG block can be described as a multi seam, moderate dip, open cut coal mine using truck and shovel equipment in a combination of strip and haulback operations. Mining in the SN Block commenced in 2015.

4.2.1 Top Soil Removal

It is necessary to clear land and remove topsoil to advance any open pit mining operations. At BIB concession, land clearing and topsoil removal is undertaken by contractors. Natural Vegetation is cleared by using dozers. The vegetation is pushed into piles and moved to a suitable location. All necessary care is taken to minimize soil profile disturbances and same process will be followed during the life of mine operations. Once land is cleared, a fleet of small trucks and excavators removes topsoil which is either preserved for final reclamation or directly dumped into final landform area (where coal is already mined out) for rehabilitation.

4.2.2 Drilling and Blasting

Most of the coal mining operations in Indonesia do not require drilling and blasting of overburden material to expose coal. The overburden is free digging which is not typical in countries outside Indonesia. It is generally possible to mine waste up to 100 m by either free digging with excavator or ripping with dozers. However, in some large operations it is more efficient to drill and blast waste overburden or inter-burden before handling by excavator as blasting significantly improves excavator productivity.

At the time of writing of report, drill and blast was not required in all blocks of BIB concession, however, in the later years of operation, drill and blast is likely to be required to achieve long term production target. Drilling will likely to be undertaken using standard down hole drill rig with hole diameters up to 165 mm. Drill hole depth is limited to 11m (including 1 m of subgrade drilling) for a bench size of 10 m. Explosives will be stored in magazines on the site and mixed and loaded into blast holes by mobile mixing units.

In line with the standard practice in Indonesia, drilling and blasting will be part of the mining contractor's responsibilities.

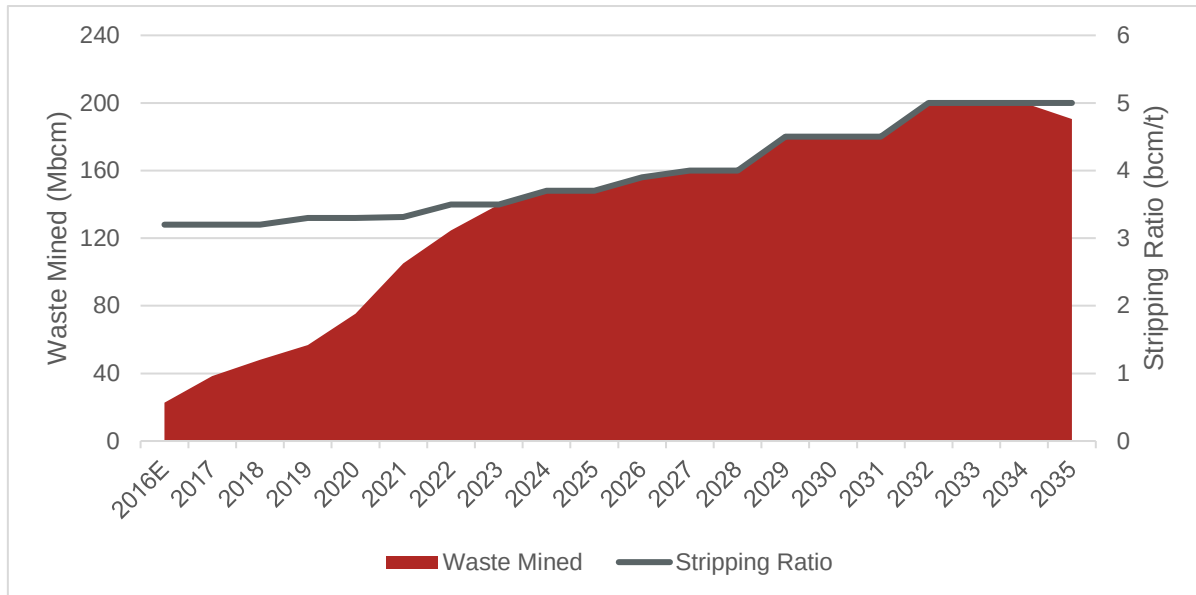
4.2.3 Waste Excavation

Waste material is mined using hydraulic excavators and loaded into standard (up to 100 tonne capacity) rear tipping off-highway trucks for haulage to rock waste dumps which are either in close proximity to the pits or in-pit where possible. Diesel powered hydraulic excavators in backhoe configuration are currently being used at BS and KG block, and it is assumed for the purpose of this study that this type of equipment will continue to be used over the life of mine. The new bench will be opened as 5-meter height which will be subsequently converted into a 10 m bench.

Waste will be dumped in lifts with a typical height of 10 m with dozers pushing waste and ensuring the dump area is clean and that safety berms are maintained. A swell factor of 1.2 was assumed for all waste dumping and handling calculations. The current operations employ 120 tonne excavators (Komatsu PC1250) and 50 tonne capacity trucks (Komatsu HD465) for waste excavation and hauling on site.

However, future increases in mining rate will require upsizing of the mining fleet. The waste to be mined over life of mine has been shown in Figure 4:3 below.

Figure 4:3 LOM Waste Excavations



4.2.4 Coal Mining

Currently, the coal mining activities in Kusan area are concentrated over Seam D and B group (Figure 4:4). Girimulya Pit was opened in the first quarter of 2015 to target Seam B group. Contractors are currently using a mining fleet with truck 200 t excavator with 100 t trucks & 110 t excavator with 60t trucks for waste removal whereas coal mining has been carried out by smaller size excavators (PC200-PC400 Komatsu excavators) with 30-40 t trucks.

Figure 4:4 Coal Mining Operations at KG Block



Similarly, coal mining was carried out at the Batulaki Pit by another contractor deploying similar size equipment (Figure 4:5). Waste removal is being carried out by higher size hydraulic excavators (200 t excavators) and 100 t trucks. At present mining at Batulaki Pit is suspended. The mining has commenced SN pit which is currently being ramped up (Figure 4:5).

Figure 4:5 Coal Mining at SN Block



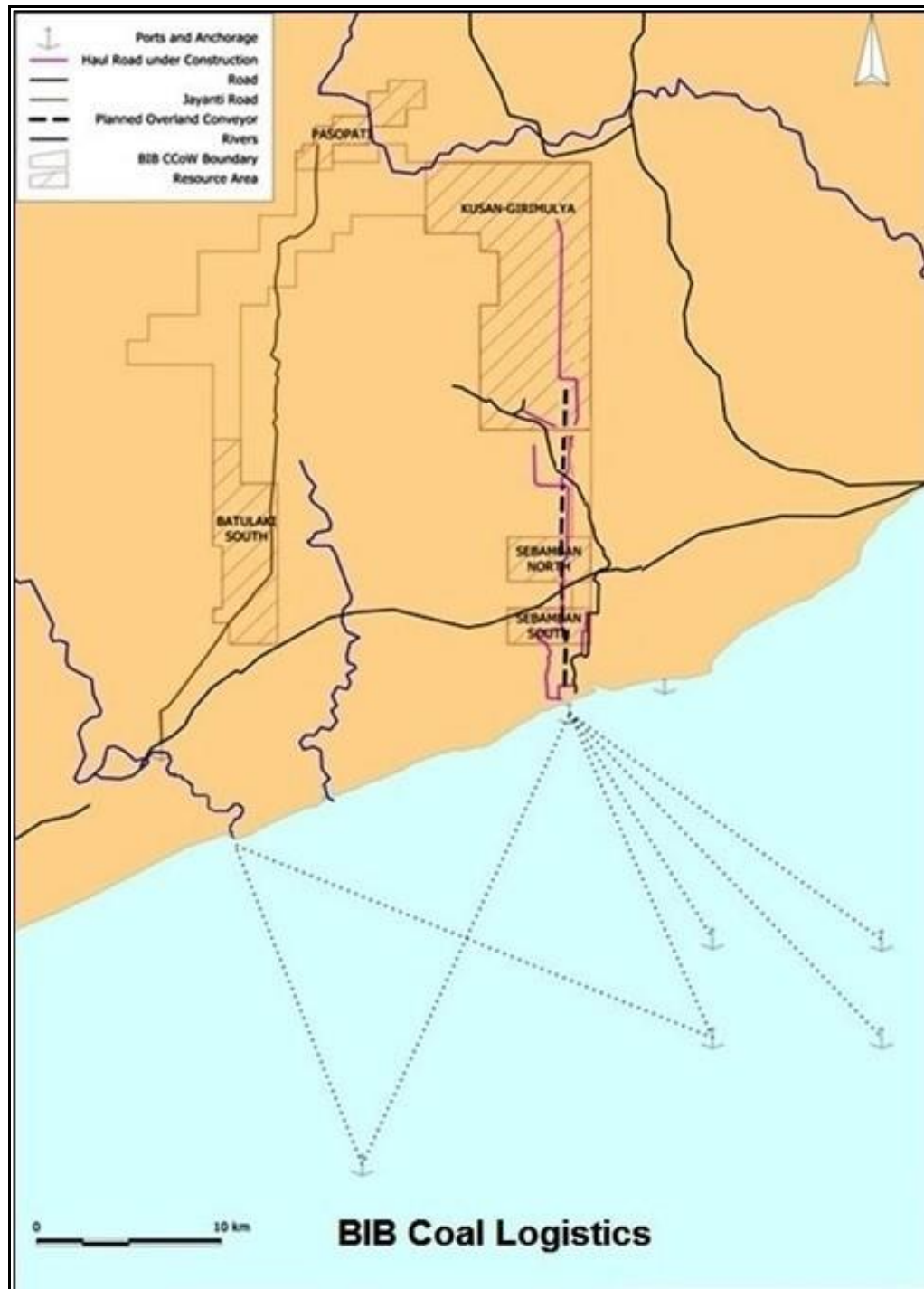
4.2.5 Dewatering

For any efficient mining operations, dewatering of pit and pit water management is of critical importance. During the site visit at BIB concession, the subject specialist inspected pit sumps and found that the water management systems were of high standard. The pit drainage system, which is designed to prevent external water from entering into pit was also inspected and found effective and fit for purpose.

5 Coal Handling and Coal Logistics

The BIB Mine is an operating mine with established logistics infrastructure to support sales to the overseas market (predominately India and China). The project is supported by ROM stockpiles, crushing and screening plants, road transportation, port with barge loading facilities and trans-shipment points for anchorage of ocean going ships (Figure 5:1).

Figure 5:1 BIB Logistics



Salva Mining has carried out a high level assessment of logistic options to assess the project economics. A number of options were identified and techno-economic assessment of each option was carried out. Based on assessment of available information and data gathered from site visit, two logistic chains for coal blocks comprising BIB projects exist and need to be strengthened.

Presently at KG block, coal handling and infrastructure is already in place as coal mining activities are currently underway since 2011. The existing infrastructure at KG includes a run of mine (ROM) stockpile, a primary crushing and screening plant at the mine site and a weigh bridge, port stockpile, secondary crushing circuit at the Bunati port. Bunati Port also has jetty and barge loading conveyor (recently expanded to 12mtpa capacity). Offices, camps, workshops and other associated facilities are currently in place both at mine site and at the port.

At present, current operations use both the coal crushing plants located at ROM stockpile and at the port. Coal mined from the BIB block is currently hauled by using a recently completed dedicated haul road. A new haul road joining Kusan and Girimulya to the port including an underpass of the main highway. This haul road has capacity to haul up to 20 Mtpa of coal from KG Block area (Figure 5:2) after some upgradation. Sebamban North and Sebamban South pits also use the recently built haul road to transport coal from the pit head to the Bunati port.

For handling 40Mtpa annual output from BIB concession blocks, a major upgrade is required for coal handling circuits including crushing, coal conveying and stockpiles (Both at ROM & Bunati Port). During the recent site visit, it was acknowledged and the preparation is on for such upgrades. The proposed coal handling and logistics infrastructure for the Kusan and Girimulya Blocks require construction of the following components:

- Overland conveyors from Kusan pit to directly to the port, anticipated to be in operation from 2021 onwards;
- Upgrade to Run of Mine Coal handling facilities and stockpiles at both Kusan and Girimulya mine sites for receiving coal from the mine; and
- Upgrade to Port stockpile coal handling, blending, stockpiling and barge-loading facilities with a total capacity in excess of 40 Mtpa.

Similar coal handling arrangement exists for the coal mined from Batulaki pit which is hauled to the Abidin port located at Satui River. Abidin Port is a third party owned port where infrastructures required for crushing and coal loading are being rented for coal export. Pasopati coal is also proposed to utilize the services of Port Abidin when the mining activities will start in 2018. BIB existing coal logistics, proposed infrastructure and haul roads are shown in Figure 5:2 and Figure 5:3.

Figure 5:2 BIB Coal Logistics Chain

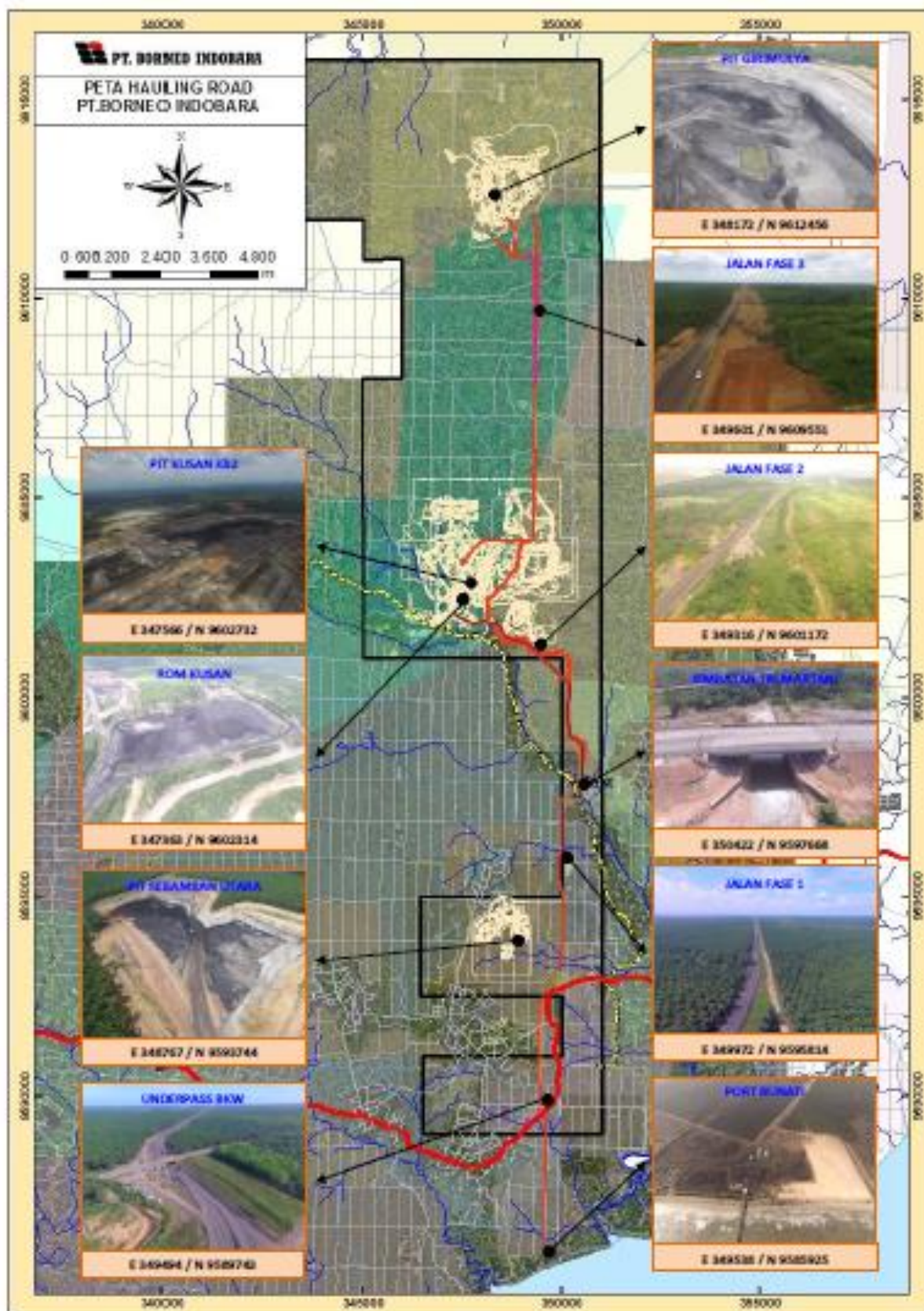


Figure 5:3 Recently Expanded BIB Road Logistics



5.1 Eastern Logistic Leg (SS, SN and KG Blocks)

5.1.1 KG Block

There is coal handling and processing infrastructure already in place for the KG Block. This infrastructure includes a Run of Mine (ROM) stockpile, crushing and screening plant at the ROM stockpile, a stockpile and another crushing circuit at the BIB owned Bunati Port along with jetty & barge loading conveyor at the Bunati Port.

A substantial upgrade to the coal handling infrastructure is completed, or planned, to achieve the planned production targets from the KG Block. This includes building a dedicated haulage road from the KG Block to the Bunati Port. This road is designed and constructed to be capable of handling up to 60 tonne trucks (Figure 5:4). The construction of the road was completed in 2015. for Stage I connecting the Kusan Block to the Bunati Port. Stage II connecting the Kusan Sub block to the Girimulya Sub block is also scheduled for completion by end of 2016.

Figure 5:4 Road from the KG Block to Bunati Port



Coal at the port stockpile will be retrieved by a standard mechanical reclaim and barge-loading system. Coal will be barged for less than 25 km from the Bunati Port for transshipment to larger vessels using floating cranes. The capacity at the Bunati Port has recently been upgraded to 15 Mtpa of coal handling (Figure 5:5).

Figure 5:5 Barge loading conveyors at the BIB' Bunati Port



Source: Salva Mining

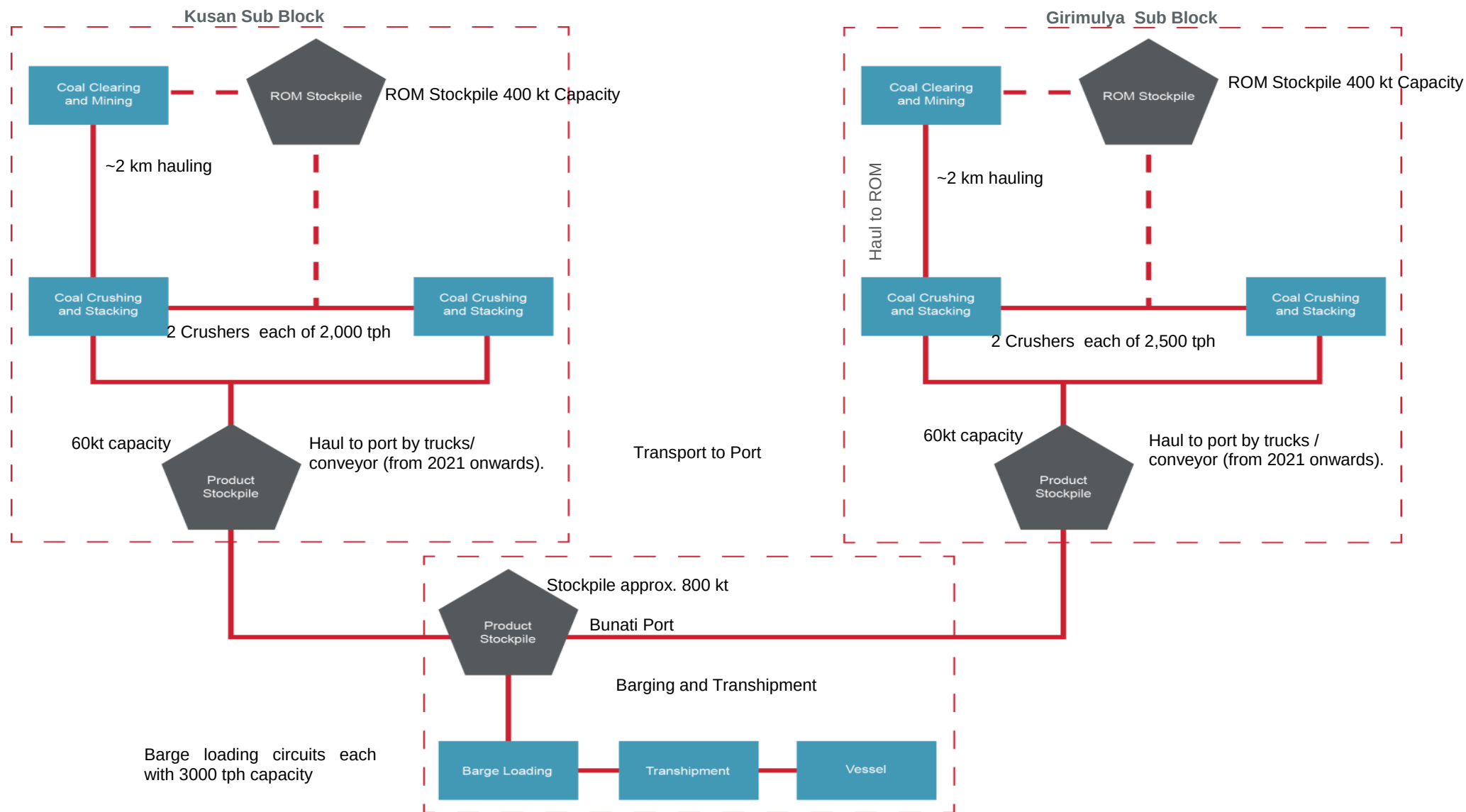
To accommodate 40 Mtpa of coal product, a substantial upgrade of coal handling infrastructure is planned. This includes additional modular crushing & screening plants and additional barge loading facilities.

The proposed system comprises haulage of up to a distance of 2-6 km to the ROM stockpile using rigid coal trucks. From there, coal will either be dumped into coal receiving hoppers or the ROM stockpile for the purpose of re-handling and coal blending at site. The coal will be crushed at the mine site itself in two crushing circuits, two each at the Kusan and Girmulya sites (2x 2,000 tph at Kusan and 2 x 2,500 tph at Girmulya). Crushed coal stockpile of 60,000 t capacity will be constructed both at the Kusan and the Girmulya pits.

GEAR is also proposing to build an overland conveyor belt system from the KG block to the Port to handle production of up to 40 Mtpa. The conveyor system is planned to be commissioned in 2021. The capital cost from the conveyor is estimated at US \$72.5M. This will reduce operating cost by ~\$3.10/t of coal produced from the KG Block.

Coal at the port stockpile will be retrieved by a standard mechanical reclaim and barge-loading system. Coal will be barged less than 25 km for transshipment to larger vessels using floating cranes. Salva Mining notes that the proposed infrastructure plan is conceptual in nature and likely to be re-investigated during the Detailed Engineering phase. However, construction and use of most of these types of coal handling system is very common in Indonesia which constitutes the proposed infrastructure plan. The proposed logistic flow for the KG block is shown in Figure 5:6.

Figure 5:6 Logistic Flow - KG Block

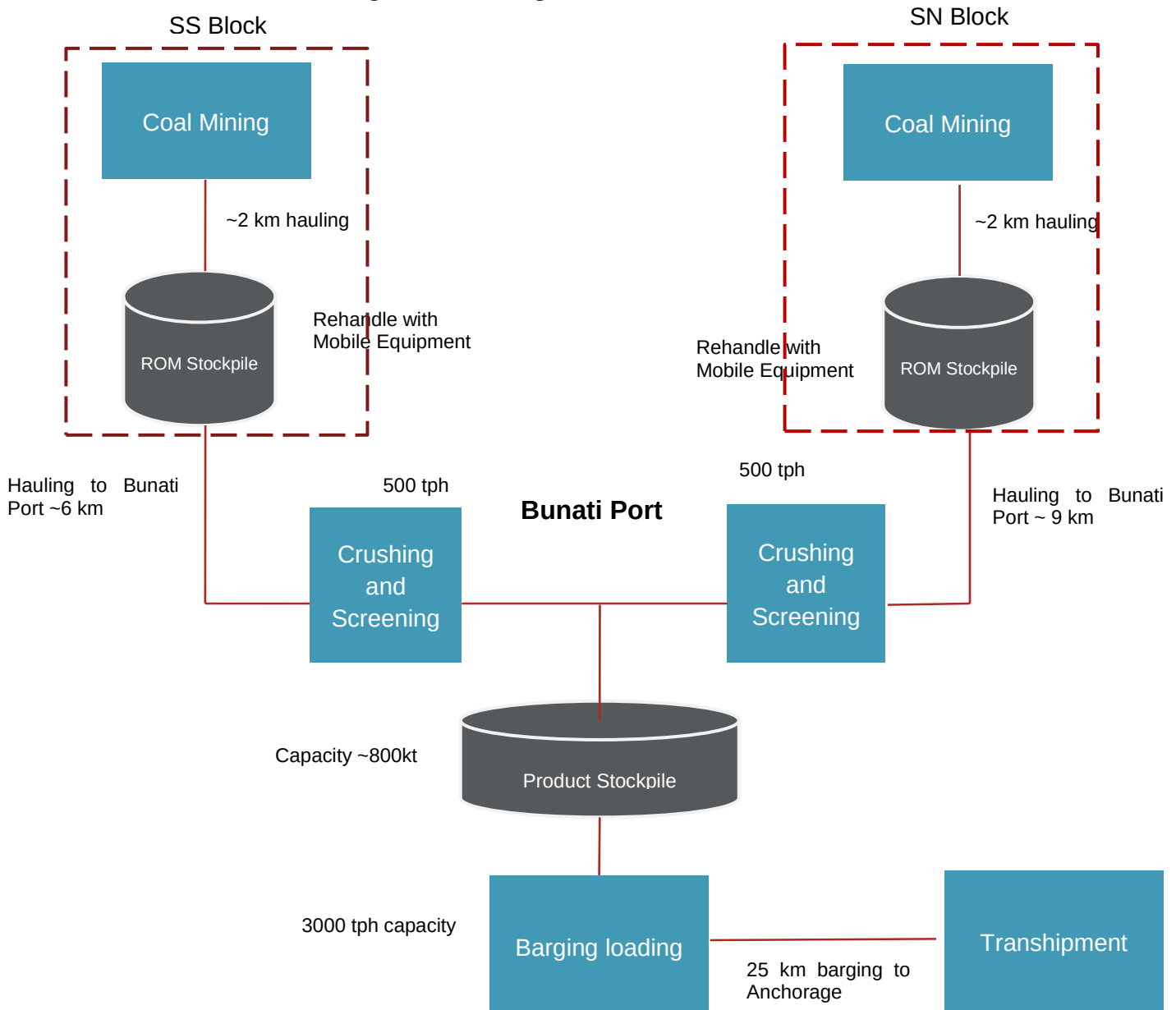


5.1.2 SS and SN Blocks

The SS and SN Block is an existing mine with established infrastructure. At present the mining operation is occurring at SN Block while the mining in the SS block is suspended on account of issues with land acquisition. Salva Mining has been advised that discussions on land acquisition are well advanced and BIB plans to commence production from the SS Block in 2017.

Coal from the SS and SN Block is hauled by 20-30t rigid trucks to the ROM stockpile. Coal is re-handled using mobile equipment into rigid body coal haul trucks and hauled (~6 km for SS Block and ~10 km for SN Block) to the BIB Bunati Port where it will be blended with the coal from the KG Block. The logistic flow for the SS and SN block is shown in Figure 5:7.

Figure 5:7 Logistic Flows -SS and SN Block



5.2 Western Logistic Leg (BS and PP Blocks)

5.2.1 BS Block

Coal from the BS Block is hauled by 20-30 t rigid trucks to the ROM stockpile located up to a distance of 4km from the pit. Coal is then re-handled using mobile equipment into rigid body coal haul trucks and hauled approximately 11 km to the Abidin Port. Abidin Port is a third party owned port where infrastructures for crushing, stockpiles and coal loading are already in place.

Coal is loaded from the stockpile onto barges using a barge-loading system and barged through the Satui River to anchorage points up to 40 km away (Figure 5:8).

Figure 5:8 Barging of BIB Coal from Abidin Port through Satui River

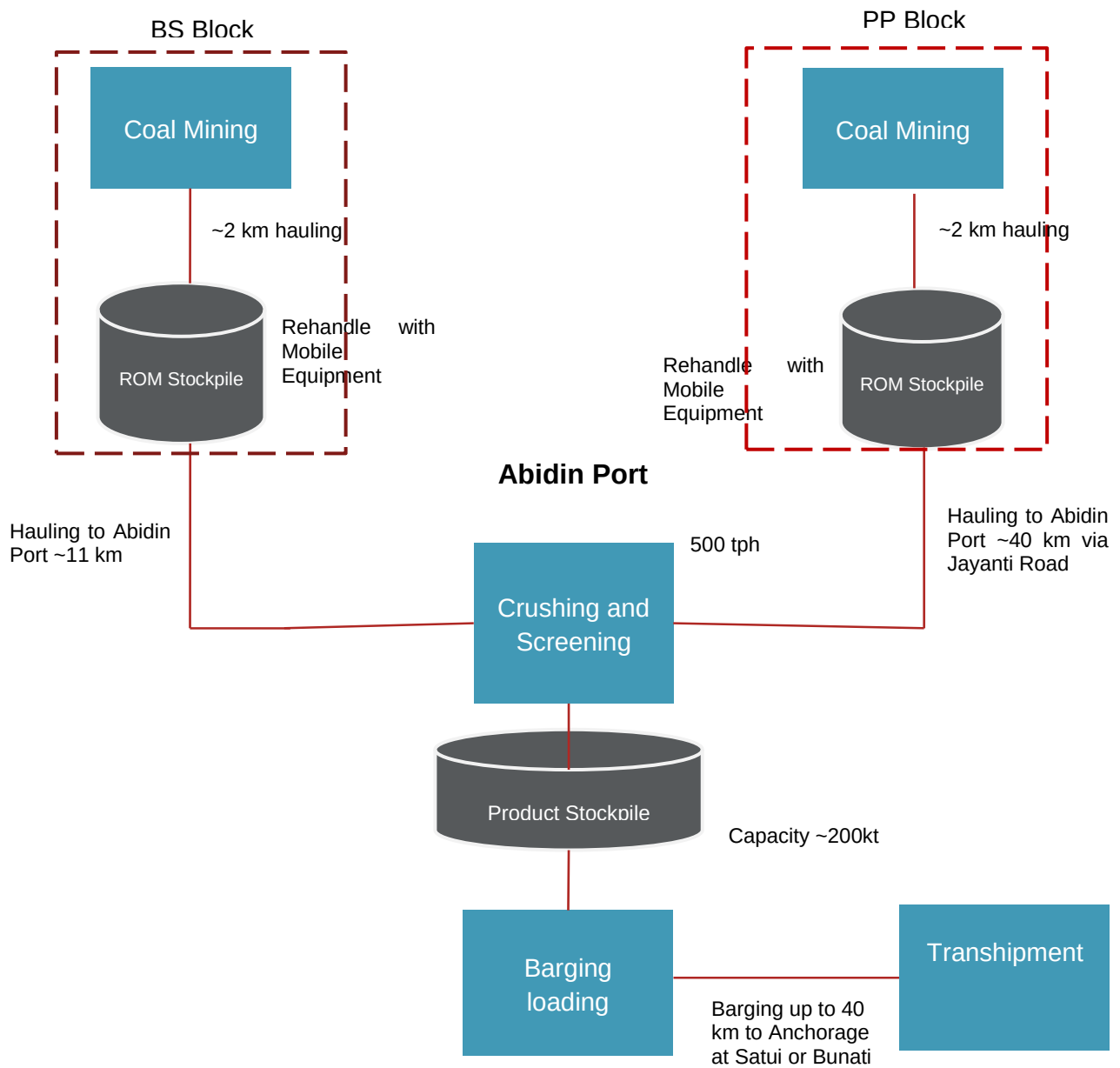


The existing infrastructure will be maintained and used for coal handing and transportation until coal inventory present in these pits will be depleted. At present, the BS pit is under care & maintenance.

5.2.2 PP Block

Coal from the PP Block will be hauled to BS stockpile using the existing common shared Jayanti Road. This road will require some repair and upgrading before mining operations can commence at the PP Block. The coal logistics plan for PP is similar to BS and will share the same haul road and use the same port stockpile and barge loading infrastructure at the Abidin Port (Figure 5:9).

Figure 5:9 Logistic Flow - BS and PP Block



6 Environment and Community Relations

A preliminary assessment of potential issues pertaining to environment and community relations which may impact the Project valuation was carried out by Salva Mining. These include the following activities:

- Site visit and inspection of environmental management infrastructure;
- Review of environment management procedure at site;
- Review of the environment impact assessment and management plans (AMDAL); and
- Review of Corporate Social Responsibility Reports.

Salva Mining's preliminary assessment doesn't reveal any issues related to environment and community relations that will adversely impact project valuation. However, it should be noted that Salva Mining's assessment was only preliminary in nature and Salva Mining cannot provide any guarantee or warranty that significant environmental or community issues will affect the operation.

As a part of its site inspection, Salva Mining has inspected key components of environmental management at the pit, roads and stockpiles during the site visits, including: sediment ponds, hydrocarbon storage, water discharge points and topsoil stockpiles. Key environmental and community relations issues are discussed below.

6.1 Environmental Aspects

Key issues which can potentially impact on project valuations are: Water Run-off, noise and dust, rehabilitation and protection of aquifers.

6.1.1 Water Run-off from site

If sediment loads are high or if water is acidic Run-off from dumps, stockpiles, roads and water pumped from pits has the potential to pollute local rivers, creeks and vegetation. This is managed through the use of bunds, drains and sediment ponds of sufficient size to allow small particles to settle out of the water. Regular monitoring of water discharge points is required under government regulations.

6.1.2 Noise and Dust

Noise and Dust originating from mine operations haulage and coal handling have the potential to impact the local environment, particularly if villages and local communities are located within close proximity to mining and coal handling operations. Dust is generally managed by using water trucks on haul roads and by spraying water or dust suppressant chemicals to minimise dust being airborne and suppressing it.

6.1.3 Rehabilitation

A large area of land will be cleared as part of the BIB mining operation, although much of this area is secondary growth forest or plantations. The disturbed area is generally rehabilitated and revegetated by mining and handling topsoil separately, and then restoring topsoil to rehabilitated sites and replanting suitable vegetation. A large portion of the mined out area in

the BS Block has already been rehabilitated (Figure 6:1). Reclaimed land is also transferred back to the local communities for community development purposes

Figure 6:1 Rehabilitation of the Mined Out Area in BS Block



Source: Salva Mining

6.1.4 Hydrocarbon Management

There are significant storage facilities of fuel and oils at the BIB site and discharge of these to the environment could result in significant damage. Hydrocarbons are managed with bunds around the storage areas, oil traps at water discharge points from workshop areas and with response and clean-up plans for any spills.

6.2 Community and Sustainability

GEAR has made substantial efforts to integrate with the local population in the vicinity where its mines are located, as it believes that these efforts are integral to the stability and development of its business. Maintaining a good relationship with local communities has been key requirement for the continued success of the BIB operation. Salva Mining reviewed GEAR's Corporate Social Responsibility programs which include the following aspects: Economy, education and health.

6.2.1 Economy

As part of its community development programme initiative, the GEAR group engages in activities aimed at fostering community relationship and empowering such communities, such as implementing various programmes to provide economic, technical, social, infrastructure, educational and healthcare assistance to the local communities.

Historically, GEAR has provided the local communities with new employment opportunities by recruiting/employing and training local residents to work in fields that demand high skills, such as heavy equipment operators and drivers. In addition of these, the GEAR also provides capital, technical, training and marketing support to assist local residents to set up small businesses, such as livestock farms, or to seek employment in local industries.

Figure 6:2 CSR Initiatives Sinarmas



GEAR has also contributed to the social and cultural welfare of the local communities by establishing Islamic study groups in mosques and contributing the necessary facilities and materials, and collecting donations to organise religious celebrations and benefit orphans.

GEAR is an active contributor in public works development and maintenance, such as developing and constructing new wells, improving school facilities and infrastructure, providing school buses, and repairing roads, bridges and public facilities (some of which were major roads and bridges connecting villages or functioning as the main route of activity). To promote cultural values, the It also sponsors and participates in traditional events and social functions, such as Indonesia's Independence Day celebrations.

6.2.2 Education

The education plan includes programs to improve education of children and adults in the local communities with current activities including: Teacher training and development, reading programs and scholarships for elementary, junior high and senior high school students. GEAR recognises the importance of education, and in 2011, it provided scholarships to 230 students through its subsidiary GEAR group from schools located in the province of South Kalimantan where BIB operations are located.

6.2.3 Health

Health Plan includes programs to improve health in the local communities and to increase people's knowledge through education in health issues. The GEAR had also arranged for free mass cleft lip surgery for children and adults from Jakarta and West Java in cooperation with Obor Berkat Indonesia, as well as providing various medicines for the West Sumatra Police.

6.2.4 AMDAL

Salva Mining notes that the current approved AMDAL for the BIB concession does not address all the issues associated with the medium to long term plans to expand production beyond 13 Mtpa from the concession. The revision and approval of an updated AMDAL for the site is needed to achieve the designed mine plan. GEAR advises that AMDAL approval for expanded throughput is likely to be received as soon as dedicated haulage road under construction is completed.

Mine closure plans for the updated mine plan have yet to be completed; however, Salva Mining does not foresee any significant issues with this aspect of the operation. A reasonable allowance has been made in for environmental management, rehabilitation and mine closure.

7 Valuation

7.1 Valuation Approaches

There are a number of methods used in valuing mineral assets. The applicability of these methods depends on project specific factors including the level of maturity of the mineral assets.

In determining the appropriate method(s) to be used for valuation of these assets, Salva Mining has taken into consideration the classification of these assets as defined in the VALMIN Code and the different methodologies that are generally accepted as industry practice for each classification. Generally, there are three broad methods of valuation that are used for valuing mineral assets. These are the cost approach, income approach and market approach. The asset classifications that may be applied to a project are set out in Table 7:1 below.

Table 7:1 Typical Valuation Methods

Classification	General Description	Key Valuation Methods
Exploration Areas	Properties where mineralisation may or may not have been identified, but a Resource has not been identified.	Rule of Thumb, Geo-scientific method, Comparable Transactions.
Advanced Exploration Areas	Properties where considerable exploration has been undertaken and specific targets identified. Resource estimation may or may not have been made. Good understanding of mineralisation present.	Geo-scientific method, Appraised Value Method, Comparable Transactions.
Pre- development Projects	Properties where mineral Reserve have been identified but decision to proceed with development have not been made.	The above methods and DCF/NPV valuation.
Operating Mines	Properties where mining activities are already commenced.	DCF/NPV valuation.

7.2 Valuation Approach for Assessing the BIB Mine

The BIB Mine is an operating mine where production has already commenced in 4 major coal blocks out of 5 blocks. Coal Resource and Reserve has been determined in all 5 blocks. Although mining activity at the PP block is yet to commence but the Coal Resource and Reserve has already been delineated at this block and a decision to commence mining has already been made. Therefore, in Salva Mining's opinion, it is appropriate to use DCF method to determine Net Present Value (NPV) of the whole project.

Therefore, for the purpose of valuation, Salva Mining has opted to value the Coal Reserves present within the BIB concession on DCF based method. The cash flow model constructed by Salva Mining was based on the production schedules, costs and prices developed for this project. No separate value is ascribed to the exploration potential of the areas outside the blocks contained in the mine study with Coal Reserves. Salva Mining has opted to value the project on the basis of Coal Reserves only using the DCF method.

8 Economic Parameters

8.1 Royalty and Local Government Fees

Royalty is generally levied as a percentage of sale proceeds to be applied for the different types of coal depending on its Gross Calorific Value (“GCV” and method of mining. However different royalty rates have been adopted for different types of ownership structure including: Contract of Work holders (CoWs), Coal Contract of Work holders (CCoW), Izin Usaha Pertambangan holders (IUP), and Izin Usaha Pertambangan Khusus holders (IUPK).

At present, a range of percentage of sales proceeds is applicable for different type of coal mining arrangements as detailed in Table 8:1. However, holders of IUPKs are required to pay an additional royalty of 10% of their net profit. 40% of this incremental royalty is paid to Central Government and remaining is shared between province and respective regency.

Table 8:1 Indonesian Coal Royalty Rates

Concession Type	Royalty	Current Rates (2014)
CCoW and CoW	13.5%	Royalty on HBA price for the coal type
IUP and IUPK	3% - 7% (Open Pit) 2% - 6% (Underground)	The royalty rate depends on air dried calorific value of the coal produced: • 3% of HBA price for coal <5,100 kcal/kg • 5% of HBA price for coal for <5,100 kcal/kg - 6,100 kcal/kg • 7% of HBA price for coal for >6,100 kcal/kg

The BIB concession is a CCoW concession, amenable to be exploited by open-pit mining method. A royalty of 13.5% of revenue excluding barging and transshipping associated cost is applicable to coal sales from the BIB concession. This amount is defined in the PKP2B and subsequent agreements between BIB and the Indonesian Government Regulation No. 17 of 2010 issued by the Minister of Energy and Mineral Resources (MEMR) also requires that all coal sales be made at a minimum (or benchmark) price that is defined by the Indonesian government on a monthly basis. The methodology for calculation of the minimum price is described in Regulation No. 515.K/32/DJB/2011 and Regulation No. 644.K/30/DJB/2013 issued by the Directorate General of Minerals and Coal (DGMC).

Salva Mining assumed that future benchmark prices for Royalty calculations will be equal to or lower than the forecast prices used in this study and thus the forecast coal price has been used for the calculating royalty payments.

The agreement between BIB and the Indonesian Government appears to allow for the Government royalty to be calculated based on the coal sales price (or the benchmark coal price if it is higher) adjusted for the costs incurred past BIB’s last loading facility. This effectively means that revenue can be calculated on the FOB, barge loading basis for the purpose of royalty calculation. Regulation No. 644.K/30/DJB/2013 defines the maximum costs that can

be deducted from the sales price for the purpose of the royalty calculation. The current maximum claimable costs are:

- US \$0.0221 per tonne nautical mile (US \$0.0119 per tonne km) plus US \$3.7406 for barging;
- US \$4.00 for transshipment;
- US \$0.25 for survey; and
- 0.8% per shipment for insurance.

Salva Mining has used the lower of actual cost and maximum allowable allowance for barging and transshipped activity related costs in determination of Royalty payable.

8.2 Inflation Outlook

Salva Mining has developed a nominal cash flow model for calculation of the NPV and assessment of mineral asset value. Salva Mining has assumed cost in US \$ in real terms and converted it into US \$ nominal terms based on the long term US inflation factor of 2.4%.

Salva Mining considers this to be an appropriate technique while valuing projects in high inflation, declining foreign exchange rate countries including Indonesia. This is a common approach used in most mineral asset valuation.

8.3 Corporate Income Tax

Corporate income tax is applicable to all Indonesian registered corporations. In 2009, the tax payable was reduced from 30% to 28% of gross income less allowable deductions. From 2010 onwards, the corporate income tax rate was reduced further to 25% of net taxable profit.

COW and CCoW holders operate under a specific corporate tax rate, which is set out under their contract. Corporate income tax rate is generally stipulated in their contracts and it is different for different generations CCoW holders. For most of the large producers (holders of 1st generation CCoW permit), the initial corporate tax rate is 35% and is applicable for the first 10 years of production. After this, the corporate tax rate reverts to 45% for the remaining life of the mine. The corporate income tax rate for second generation CCoW holders is 25% and for others it is between 30-45%. The higher tax rates for the CCoW holders is compensated for by a *lex specialis* status, which protects them from the introduction of any additional taxes that are not specified in their initial agreement. The tax rates for different concession types have been shown in Table 8:2.

The BIB concession is a second generation CCoW concession and applicable tax rates will be governed by its contract clause which stipulates that the company is subject to prevailing laws and regulations on taxation. Therefore, in line with the prevailing corporate income tax regulation an income tax rate of 25% is applied to the revenues from the concession.

Table 8:2 Corporate Tax Rates

Concession Type	Corporate Tax	Reversion Rate
CCoW (First generations)	35%	45%
CCoW (Second generations)	25%	N/A
CCoW (others)	30-45%	N/A
IUP	25%	N/A

8.4 Depreciation and Amortisation

Application of straight line depreciation at 12.5% (for all building and non-building assets) is permitted for first generation CCoW holders. For all other type of coal concession holder's including second generation CCoW concessions like the BIB concession, different rate of depreciation is applicable for different type of assets (Minister of Finance Decree 138/KMK.03/2002 and Amendment 520/KMK.04/2002).

Fixed assets are categorised into four different types depending on nature of assets and its expected useful life. Assets are generally depreciated over 4, 8, 16 or 20 years and the company may opt to either apply a diminishing balance or straight line approach for each category of asset.

Salva Mining has opted to apply straight line depreciation rates depending on type of asset and their useful life.

8.5 Working Capital

Working capital has been included in the financial model has been estimated using the following assumptions:

- Accounts Receivable Days 35;
- Inventory Days 15; and
- Accounts Payable Days 45.

Salva Mining has assessed these assumptions and found them to be in-line with the current operating practices.

8.6 Carried Forward Tax Losses

As per existing law, the tax losses can be carried forward up to 5 years however tax losses cannot be carried back. For the purpose of this mineral asset valuation, Salva Mining hasn't considered any prior carried forward losses as at 31 August 2016.

8.7 Value Added Tax

The prevailing VAT law stipulates that supplies of coal and other natural resources taken directly from the source are not subjected to VAT. This means that there will not be any output VAT applicable to coal produced from the BIB Concession. As per prevailing VAT law, a variable component of contractor cost attracts a 10% VAT. Salva Mining notes that there are

uncertainties in current regulations and in the conditions of IUP/CCoWs regarding application of VAT to contractor cost. Erring on the side of conservatism, Salva Mining has opted to be conservative and applied VAT to all variable contractor cost and therefore a VAT rate of 10% is applied on all contractor cost.

8.8 Weightage Average Cost of Capital (WACC)

Weightage Average Cost of Capital (WACC) is generally used as a discount rate for the valuation of advanced mining projects with Reserves. Salva Mining has derived the WACC on the basis of Capital Asset Pricing Model (CAPM). Following is the assumptions used in calculation of WACC (Table 8:3).

Table 8:3 WACC (After Tax)

S.No.	Items	Value	Source
1	Risk Free Rate of Return	6.87%	10 year Indonesia government bond yield as of 09 Sept 2016 (Source: AsianBondsonline.adb.org)
2	Equity Risk Premium	7.5%	Indonesia Country Premium (Source: Bloomberg)
3	Relevant Beta	1.01	Unlevered beta of comparable companies, re-levered to average capital structure of comparable companies
4	Company & Project Risk	0.5%	Additional company & project risk
5	Cost of Equity	14.94%	Equal to (1) + (2) x (3) + (4)
6	Debt to Enterprise Ratio	40%	Anticipated proportion of debt for the purpose of WACC calculation
7	Cost of debt (after Tax)	3.66%	Indonesian interbank rate (JIBOR) adjusted for corporate tax as of 09 Sept 2016 (source: Bank Indonesia, www.bi.go.id)
8	WACC (after Tax)	10.43%	

Furthermore, Salva Mining has crosschecked the calculated WACC for the project with WACC of the various comparable listed mining companies of Indonesia. Table 8:4 summarises WACC of the various mining companies in Indonesia.

Table 8:4 WACC for Indonesian Coal Mining Companies

Company	Value
Adaro Energy	8.4%
Bayan Resources	8.1%
Barau Coal	9.4%
Average	8.6%

Source: Bloomberg

Salva Mining concludes that the calculated WACC for the project appears to be reasonable when compared with other listed mining companies in Indonesia. For the purpose of this valuation,

Salva Mining has applied a WACC of 10.5% to be conservative.

9 Market Analysis and Coal Prices

9.1 Seaborne Coal Market

The dependence of imported coal to fuel rapid industrialization in emerging economics such as China and India has been the key driving force behind the strong growth of thermal coal demand in last decade. This was also supplemented by a lack of sufficient domestic coal supply and lack of alternative cheaper source of energy. This rapid uptake in imported coal is a result of the ongoing electrification and urbanisation of these two countries which has been primarily met by coal-fired power plants. This translated into a buoyant coal price environment and rapid growth into seaborne coal supply.

However, in since 2014 onwards, the emergence of shale gas in USA has forced US coal producers to compete in the export market and creating a supply surplus scenario. The low crude oil and gas prices has also contributed in apparent reduction of coal demand, as natural gas, which is more environmentally friendly than coal, has been trading at a minor disparity with respect to coal for the first time.

Around the same time Chinese economy started to slow down considerably while India started to produce a significant higher domestic coal. As a result of this, these two largest coal importing nations no longer driving growth, which translated into a fall on thermal coal demand.

Moving forward, in 2017 onwards, Salva Mining expects a firm recovery in seaborne thermal coal market mainly driven by mine closures in China, firm but stable demand from India and small recovery in European imports after lacklustre demand in last 2-3 years. This will also be supplemented by strong growth of thermal coal demand from South Asian economics such as Vietnam, Malaysia and the Philippines.

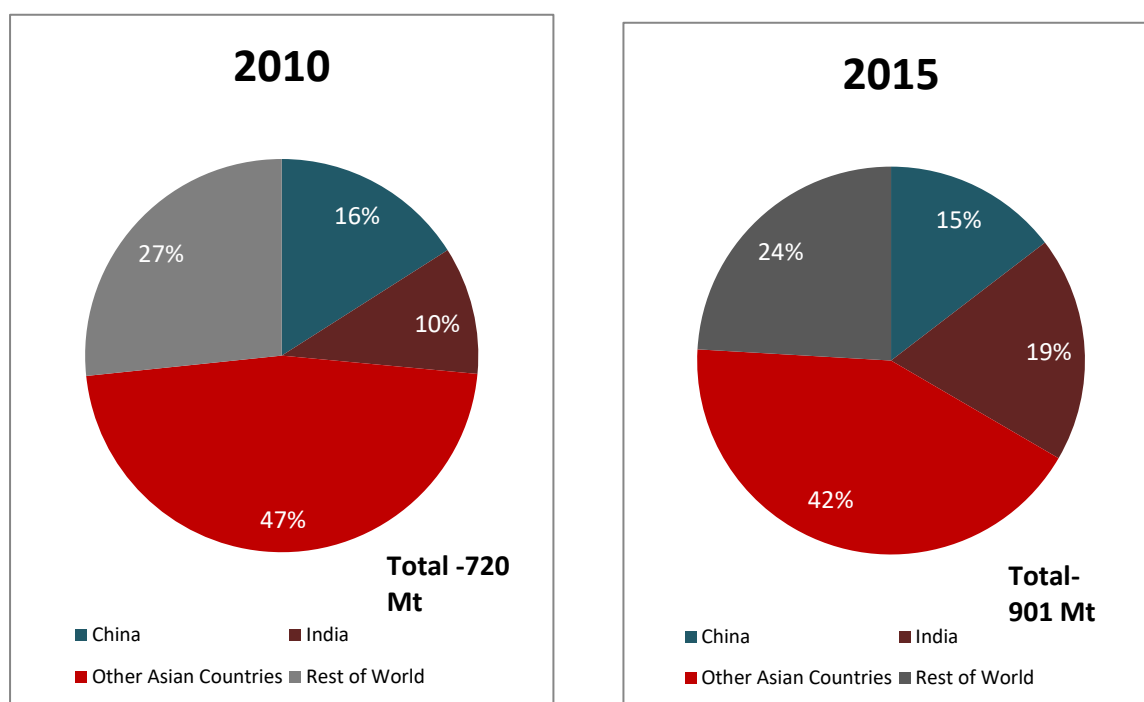
On the supply side, exporters are expected to finally derive benefits from the growing price environment. Russia is expected to expand into Asian market while the Indonesia is expected to grow in 2017 after two years of negative growth.

In medium term, coal fired electrification and industrialisation will continue in Asian developing countries as coal is by far the cheapest source of energy. On supply front, Indonesia and Australia is expected to grow more than other supply centre because of its proximity of key Asian Markets.

9.2 Asian Demand

Asian trade in the thermal coal market has increased significantly in the last five years, growing from 528Mt in 2010 to 685 Mt in 2015, registering an impressive compound average growth rate (CAGR) of 7.21%. During this period, China and India who have increased their combined market share of seaborne thermal coal imports from 26% (191Mt) in 2010 to 42% (301Mt) in 2015, accounting for over 90% of demand growth over the period.

Figure 9:1 Asian Share in Global Seaborne Market



In 2016, domestic coal demand fell by almost 4% during first quarter while Indian markets market on track for a second year of decline. Consequently, in 2016, Salva Mining expects Indian steam coal market to remain flat.

However, Chinese coal market is clearing recovering with government has forced coal miners to cut production. As per the official estimate, domestic coal production in China has registered a decline of 9.7% in H1, 2016 after falling by 3.5% in 2015. As result of this, Domestic coal prices have climbed 20% since end-2015 and Imports have become more attractive with the rise in domestic prices. Moving forward, in Salva Mining's opinion, Government of china is expected to take measure to create balance between mine closures and high coal price scenario.

India continues to expand its coal-fired power fleet in 2016. Total coal-fired capacity at the end of the first half was 186.2 GW, accounting for 61% of the total, compared with 167.2 GW and 61%, respectively, a year earlier. Despite the growth in India's generation capacity, Indian power demand is currently suppressed. Furthermore, struggling distribution companies across India are not buying power, resulting in frequent and heavy power cuts. India will continue to rely on the international market to help meet its coal requirements, but weak power demand and strong domestic coal production will impair imports again in 2016. At the

Despite of impressive expansion of coal fired generation capacity, the per capita consumption of electricity in India is one of the lowest in the world with millions of people living without access of electricity. With the current government's ambitious project "UDAY" set to take off to for the financial turnaround and revival package for electricity distribution companies, demand for the coal fired electricity will rise.

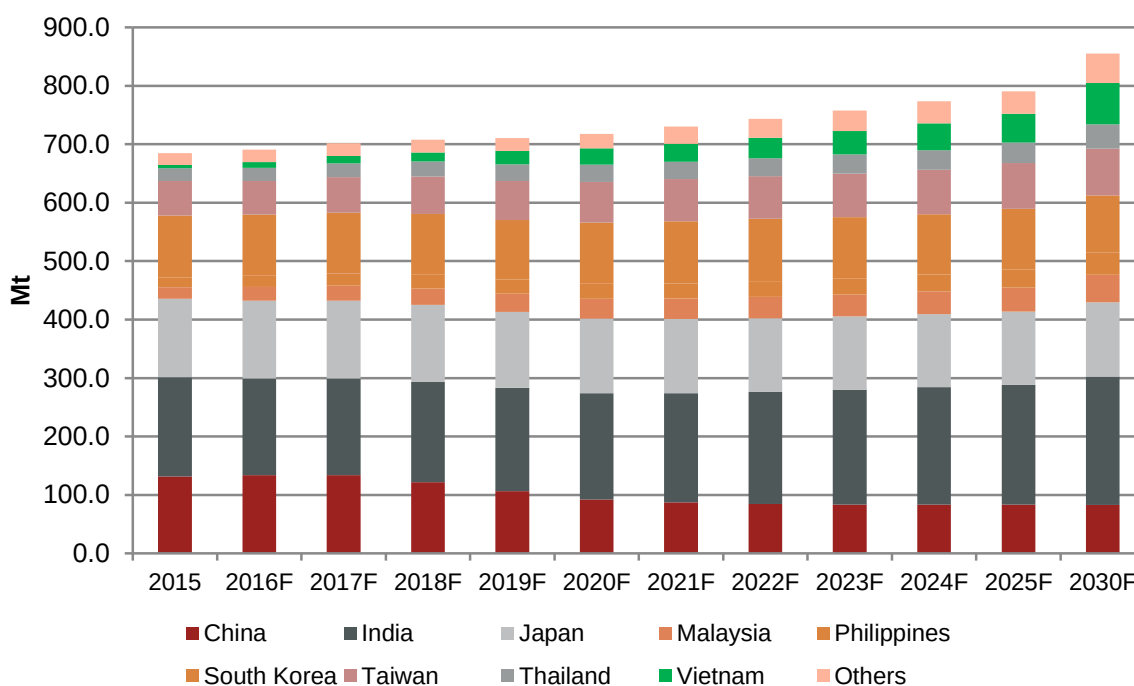
Weak power demand is hampering coal burn in South Korea, and steam coal imports into the country are likely to decline in 2016. The national target for electricity consumption growth is 3.7% per year during 2015–20, but total electricity generation in the first four months of 2016 was down 2 TWh, to 178.3 TWh. Furthermore, nuclear has a very high utilization rate of 90% and will continue to be prioritized going forward. Thus, despite some 6.7 GW of new coal-fired capacity due online this year, expect there to be enough demand to drive up steam coal imports.

Coal consumption by the 10 major Japanese utilities increased by 15% in April–June 2016, to 13 Mt, compared with 11.3 Mt a year earlier. However, in Salva Mining’s opinion, Japan’s imported coal demand is expected to remain flat on account of partial return of nuclear power.

Coal import demand from other Asian countries such as Malaysia, Philippines, Thailand, Vietnam and too some extent Taiwan expected to rise at a rapid pace as more and more coal fired plants are expected to come online.

Overall, by 2030 Asian coal demand is expected to reach at 855 Mt from the level 684 M achieved in 2015, a long term compound annual growth rate of 1.5% (Figure 9:2).

Figure 9:2 Projected Asian Coal Demand



Data Source: IHS

9.3 Thermal Coal Supply

In 2015, Indonesia, Australia, South Africa, Russia and the USA were the major thermal coal suppliers globally with Indonesia being the largest among these.

Indonesian seaborne supply has grown rapidly from 125 Mt in 2005 to a peak level of 407 Mt in 2014 before falling it to 365Mt in 2015, overall a phenomenal growth of 11.05% CAGR and accounting for around 80% of the growth in thermal coal export supply. Australia, whose exports increased from 110 Mt in 2005 to 201 Mt in 2015, growing at a 6.2% CAGR. Russia (111 Mt) Colombia (80 Mt) and South Africa (75 Mt) continue to be significant exporters in the global market.

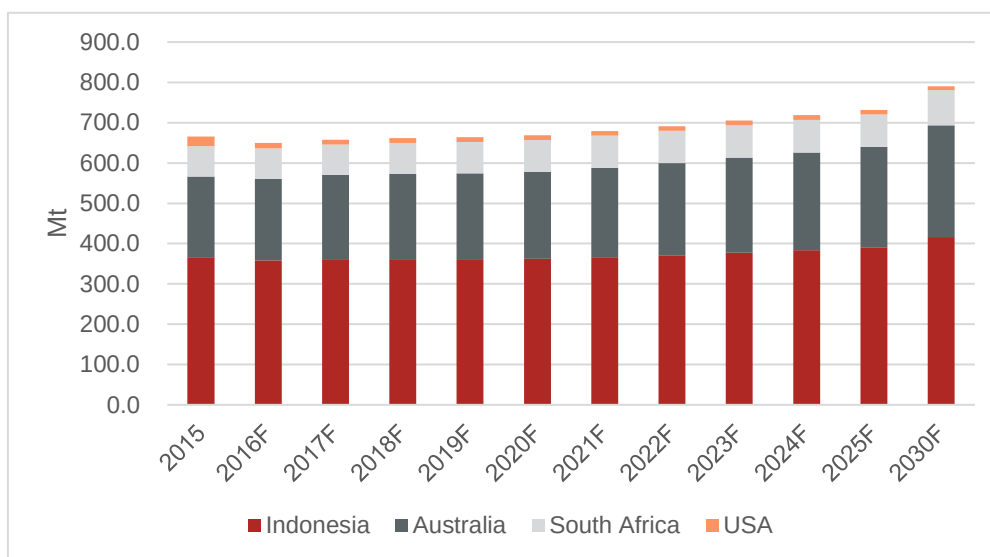
The major suppliers of thermal coal into the Asian region are Indonesia and Australia, who are also the largest two exporters of thermal coal globally. China was a significant exporter up to 2008, with exports as high as 75Mt in 2004, but volumes have fallen in recent years due to strong domestic demand and prices, and in 2015 thermal exports from China were only 1.1Mt. Other exporters into the Asian region include South Africa (44Mt to Asia, primarily to India) and the USA (6Mt went into Asia). These exporters are both further from Asia than Indonesia and Australia, and therefore face higher freight costs, which makes them the marginal suppliers into Asia. As a result, generally speaking, any increase in Indonesian or Australian thermal coal exports will displace supply from the USA (first) and then South Africa (with the exception of India).

Like other coal producing countries, Indonesia has not been immune to the downturn in seaborne thermal prices, and exports in 2015 fell for the first time in over a decade, down to 362Mt and expected to be falling in 2016. This is partly due to weaker demand growth in Indonesia's largest two markets since 2014 – China and India – and also to lower coal prices (and therefore margins) and stronger domestic demand for thermal coal. cutting production and costs. This has resulted in a number of mine closures, particularly among the lower energy coals (low-rank and sub-bituminous), the reduction in production plans by many of the major producers and the deferral of new mines or expansions across Indonesia.

The Indonesian government is encouraging miners to cut national production by 11% in 2016, to 419 Mt, down from 466 Mt in 2015. However, on account of the, renewed interest in thermal coal, several of the larger miners are targeting steady growth in output in 2016, with some pushing for further growth. Adaro is targeting 52–54 Mt of production this year, up from 51.5 MMt in 2015. PT Bukit Asam is aiming to produce 28.3 Mt in 2016, up from 20.7 Mt. Bayan Resources expects to increase production to 12–14 MMt in 2016, up from 11.3 Mt.

Going forward, Indonesia is expected to remain the world's largest exporter of thermal coal as Indonesian coal mines are historically sitting at the lower end of the global production cost curve. Export of coal from Indonesia is forecast to grow at a slower pace as most of the incremental tonnes will be used in burgeoning demand from domestic market. Figure 9:3 shows the projected coal supply from the major coal producers

Figure 9:3 Thermal Coal Supply by Major Asian Exporter



Data Source: IHS

9.4 Thermal Coal Benchmark Price Forecast

Since late 2012 until Feb 2016, the thermal coal market has remained oversupplied due to a number of factors. Surplus thermal coal from the USA was exported, due to availability of low priced shale gas which resulted in a significant drop in thermal coal domestic demand and therefore price. Excess domestic USA thermal coal production was therefore exported if possible. High rates of production growth from Indonesia and Australia also has seen oversupply in the market, which has therefore seen the international coal price drop lower. This has impacted coal producers globally, with large numbers of coal projects especially in high cost jurisdictions like Australia and Canada being either cancelled or postponed.

Prices has recovered significantly during the past 6 months to the levels last seen in 2013 (Figure 9:4). The surpluses from years of oversupply has evaporating with pickup in demand predominately from South East Asia. The majority of industry experts and brokers are of the opinion that thermal coal prices are likely to stay on these improved current levels as demand for thermal coal is expected to remain strong from developing countries such as India and China.

Figure 9:4 Thermal Coal Prices

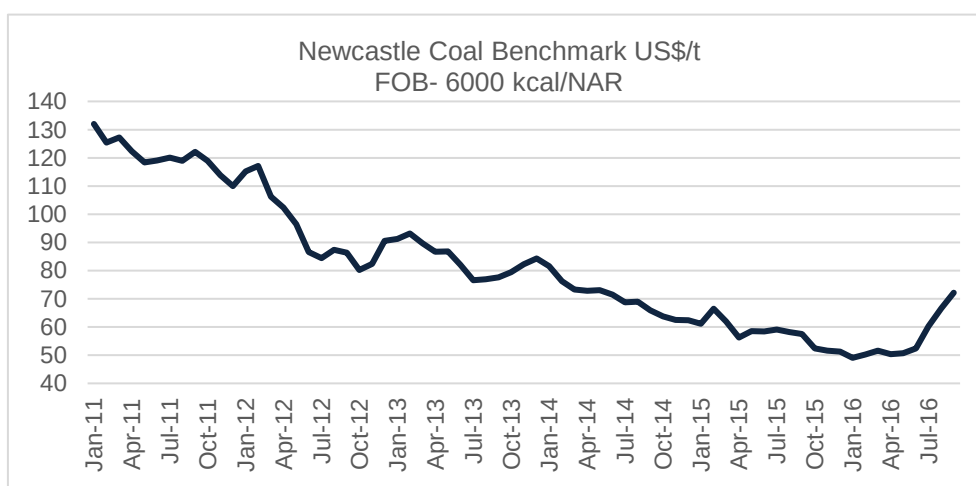


Table 9:3 summarises price outlook for the Newcastle Coal Index (GCV 6,322 kcal/kg gar) provided by various industry experts and brokers. The data uses the contractual prices outlook if the Analyst forecast that otherwise spot price outlook by that analyst was used. This data was collected by Consensus Economics Inc. on 15 August 2016 from various Analyst and Brokers.

Table 9:1 Thermal Coal (Newcastle Coal Index) Price Outlook in USD

Analyst / Broker	2016 (Nominal)	2017 (Nominal)	2018 (Nominal)	2019 (Nominal)	2020 (Nominal)	Long Term (Real)
ANZ	61.6	60.4	67.5	70.0	70.0	
Australia Dept. of Industry	62.0	59.0	56.0	59.0	61.0	
BoA Merrill Lynch	59.0	55.0				
Capital Economics	52.8	47.1				
Commonwealth Bank	51.0	46.0	46.0	48.0	51.5	59.7
Credit Suisse	61.6	61.9	61.3	60.3	58.5	70.0
Deutsche Bank	61.6	58.9	58.0	60.0	62.0	
Euromonitor International	58.1	59.8	62.2	64.4	65.9	
Investec	60.0	57.0	56.0	61.0	62.0	54.8
Liberum Capital	55.0	45.0	45.0	50.0	50.0	
Macquarie	61.6	56.7	54.3	54.0	56.3	
Morgan Stanley	61.6	60.4	61.5	63.5	65.5	63.0
RBC Capital Markets	50.0	45.0	50.0	55.0	60.0	65.0
Societe Generale	44.8	45.9	42.9	43.3	44.0	
Timetric	46.0	47.5				
Average	56.4	53.7	55.1	57.4	58.9	62.5

Note: Coal Price forecast are in nominal terms and all in USD apart from Long Term (real)

Source: Consensus Economics Inc., Aug 2016 based on analyst's survey on 15 August 2016

Salva Mining has opted to use averages of the banks and various analysts as the forecast prices for the benchmark coal prices for the purpose of this report.

9.5 Coal Price Used for Project Assessment

The BIB Mine contains two different types of coals. Coal from the PP Block will be sold as high CV coal product, High Rank Coal ("HRC"). Coal from other blocks will be blended to produce one single low CV coal product, Low Rank Coal ("LRC").

Therefore, Salva Mining has opted to forecast the price for HRC coal and LRC coal separately.

9.5.1 High Rank Coal Price Forecast

The coal product from the PP Block is a high quality bituminous coal. It has been assumed for the purpose of this study that this coal will be marketed separately, although opportunities exist to increase the total value by blending this with the lower rank coal.

In Salva Mining's opinion, the forecasted price of the PP Block coal should be at prices similar to the Newcastle Coal Index. Salva Mining notes that the PP Block coal has a higher GCV than typical Newcastle coal (on average, 5.8% higher than Newcastle benchmark). However, compared to Newcastle coal, it contains higher sulphur at 1.36%. Therefore, in Salva Mining's opinion, the HRC coal from the PP Block should sell at prices similar to the Newcastle

benchmark. Higher sulphur content is assumed to be offset by the higher CV content in PP Block coal and freight advantage which customers enjoy over Newcastle coal.

9.5.2 Low Rank Coal Price Forecast

The coal from KG, BS, SN and SS blocks will be blended to produce one single product, Low Rank Coal (LRC). The average predicated product coal quality based on Reserves and life of mine plan for KG, BS, SN and SS block is TM (ar) 35.4%, Ash (ar) 4.8%, CV (gar) 4,100 Kcal/Kg.

The lower energy coal sells at a discount to the Newcastle benchmark price. This includes a pro-rata energy discount and further discount to account for higher freight and, lower boiler efficiencies, and higher ash disposal associated with lower quality coal.

The quality of the LRC coal is expected to be similar to that marketed by PT Adaro Energy, Tbk ("Adaro") as Ecocoal, albeit a slightly bit lower CV (2.38% lower than Ecocoal). Therefore, in Salva Mining's opinion, LRC coal should trade at a slight discount to price of Adaro's Ecocoal mainly because of a slightly lower CV. To determine long term price outlook for the LRC coal, Salva Mining has first determined the long term price outlook for the Adaro's Ecocoal and the price of LRC coal, which was determined from Adaro's Ecocoal price on the basis of pro-rata energy differentials.

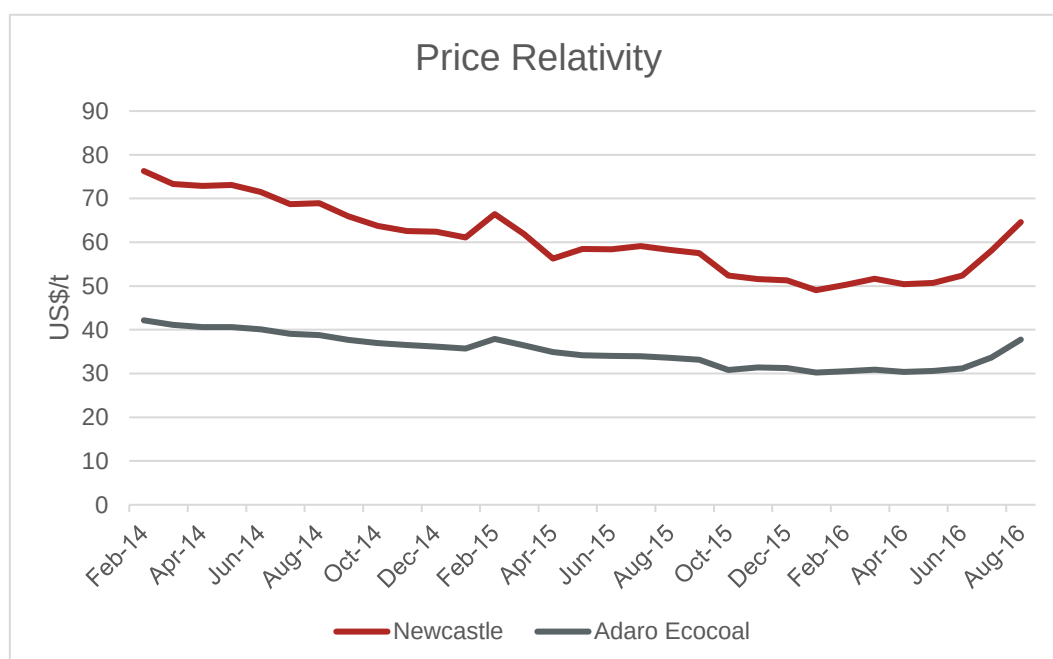
At the time of writing of this report, the coal produced from the BIB Mine was sold at price of \$38-\$39/t. The mined out coal was sold to various end users mainly located in China, India and South Korea.

To estimate the long term price for the Adaro's Ecocoal, Salva Mining has adopted the latest brokers and analyst forecasts for thermal coal prices ex Newcastle (US\$/t, FOB) as a benchmark thermal coal price. The data which was collected by Consensus Economics Inc. in August 2016 and included forecasts of future prices for coal of CV 6,322 kcal/kg (gar) by various analysts and Industry experts. Salva Mining has adopted an average of these is forecast prices and taken as a reasonable benchmark price.

Utilizing the historical price differential for this type of Indonesian coal over the Newcastle benchmark price, Salva Mining has discounted the long term benchmark prices to estimate the price for the low rank sub bituminous (higher moisture, lower CV) coal.

Salva Mining notes that the historical price of Adaro's Ecocoal is trading in the range of 54% to 62% of the Newcastle Index over in the past three years. Salva Mining notes that the price differential between the Newcastle coal index and Indonesian LRC has decreased in recent times, due to low bulk sea freight rates at present and more and more power plants being designed to operate at these coal blends. At the time of writing this report at end of August 2016, Ecocoal was selling at 59% of the benchmark price. In Salva Mining's opinion, over the under short to medium term, the price ratio (ratio of Ecocoal's price over Newcastle coal Index) is likely to remain above 59%. Salva Mining has chosen a ratio of 59% of the Newcastle Index to estimate the price of Ecocoal.

Figure 9:5 Thermal Coal Prices



Furthermore, to estimate the price of the LRC coal, Salva Mining has opted to apply a further discount of 2.38% on the Adaro's Ecocoal's forecasted price. The price discount of 2.38% has been taken on the basis of pro-rata energy differentials.

The projected price for the BIB Mine coal has been shown in Table 9:2.

Table 9:2 Coal Price Forecast, US \$/t

	2016E	2017F	2018F	2019F	2020F	Long Term
Nominal Terms						
Newcastle Coal Index	56.4	53.7	55.1	57.4	58.9	70.1
Adaro's Eco Coal	33.3	31.7	32.5	33.8	34.7	41.4
BIB - LRC Coal	32.5	30.9	31.7	33.0	33.9	40.4
BIB - HRC Coal	56.4	53.7	55.1	57.4	58.9	70.1
Real Terms						
Newcastle Coal Index	56.2	52.7	52.7	53.6	53.8	62.5
Adaro's Eco Coal	33.2	31.1	31.1	31.6	31.7	36.9
BIB - LRC Coal	32.4	30.3	30.4	30.9	31.0	36.0
BIB - HRC Coal	56.2	52.7	52.7	53.6	53.8	62.5

Salva Mining has assumed coal prices to remain constant in real term after 2019.

10 Capital Cost

Salva Mining has assumed mining operations to be commenced using contractor's mining equipment. The capital cost and charges for this equipment have been factored in the contractor charges as operating cost. This is an industry standard practice in Indonesia and Australia.

The total capital cost estimate for the ramp-up of the facilities at the BIB Mine including mining, logistics and associated infrastructure is estimated to be US \$271.1M which includes a contingency of US \$35.4M. A contingency of 15% has been applied to the capital cost estimate. These estimated are considered to have an accuracy of $\pm 15\%$.

In addition to the expansion capital of US \$271.1M, Salva Mining has factored 2.5% of the invested capital apart from land purchase cost as sustaining capital per annum for asset maintenance over the life of mine.

While preparing these estimates, Salva Mining has relied on industry benchmarks, its internal database and expertise, internal studies on the BIB concessions and the previous estimates. Estimates of major infrastructure capital cost elements are based on pre-feasibility studies containing only preliminary engineering designs and can be considered preliminary estimates. However, cost associated with infrastructure facilities is relatively well established as construction and use of these types of infrastructure is quite common in Indonesia.

In line with the standard industry practice, mine closure cost has been taken as annual expense under operating cost estimates rather than as capital cost. The Capital Cost estimates and the basis of its estimation are shown in Table 10:1. The cost estimate was prepared in Q3 2016 in US dollars (\$).

Table 10:1 Capital Cost (Real Terms)

Sr. No.	Particulars	Direct Cost (\$M)	Contingency (\$M)	Total Cost (\$M)
1.1	Land Compensation	42.5	6.4	48.9
1	Land Compensation	42.5	6.4	48.9
2.1	Diversion Channel	6.0	0.9	6.9
2.2	Road from Pit to ROM Stockpile	1.0	0.2	1.2
2.3	Workshop, Office and Laboratory	2.5	0.4	2.9
2.4	Backup Power Generation	1.5	0.2	1.7
2.5	Explosive Magazine and Site Preparation	1.0	0.2	1.2
2.6	Miscellaneous Roads	0.8	0.1	0.9
2.7	Coal Power Station and Distribution	0.0	0.0	0.0
2.8	Coal Handling Equipment	8.0	1.2	9.2
2.9	ROM - Crushing and Screening	30.0	4.5	34.5
2.1	Contractor Mobilisation	5.0	0.8	8.5
2.11	Accommodation Camp	6.0	0.9	6.9
2.12	Fuel Storage	3.0	0.5	3.5
2.13	Water supply and Sewage System	1.0	0.2	1.2
2.14	Communications	0.5	0.1	0.6

Sr. No.	Particulars	Direct Cost (\$M)	Contingency (\$M)	Total Cost (\$M)
2	Mine Infrastructure	66.3	9.9	76.2
3.1	Haul Road Construction	0.0	0.0	0.0
3.2	Overland Conveyor	63.0	9.5	72.5
3	Hauling to Jetty	63.0	9.5	72.5
4.1	Port Stockpile and Jetty	60.0	9.0	69.0
4	Port Facilities	60.0	9.0	69.0
5.1	Additional Studies	4.0	0.6	4.6
5	Other Capital Expenses	4.0	0.6	4.6
	Total Project Capital	235.8	35.4	271.1

10.1 Basis of Estimation

Basis of estimation for the major cost elements have been given below.

10.1.1 Pricing

The pricing of commodities and the design / supply of equipment are not based on binding contracts. Budget quotations have been used for all major equipment items and capital items which have been obtained from either new quotes from a supplier or Salva Mining's internal database. Budget quotations denote indicative pricing provided for specified equipment and material where no commitment is made to provide the equipment or materials at the particular price at a future date. Minor equipment costs have been based on recent quotes on file for similar equipment.

10.1.2 Project Currency and Foreign Exchange

The project capital costs are expressed in United States dollars (\$) with the following provisions:

- Costs are based on current market conditions as in Q3, 2016;
- Costs submitted in other currencies have been converted to US \$. Foreign currency exchange rates applied to the capital cost estimate relative to the US \$ are set out as US \$1.00 = IDR 13,000; and
- No provision has been made for variations in the currency exchange rates.

10.1.3 Duties and Taxes

Duties and taxes including VAT for the capital items are included in the estimate unless otherwise noted.

10.2 Land Acquisition

The land covering part of Girimulya and Pasopati blocks fall within the area of Golden Energy and Resources Ltd. and/or its subsidiaries while the remaining land is held by other parties and is used mainly for palm oil plantation. BIB has to pay certain fees on a per tonne basis to operate in this area.

A total of approximately 4,575 ha of land requirement have been estimated over the life of mine for mine pit and waste dumps. Approximately 2,075 ha of this total land requirement is owed by GEAR. Remaining 2,500 ha of land will be required to be acquired over the life of mine from other third parties. Land acquisition costs have been estimated on the basis of US \$17,000 per ha for the total requirement for the project (calculated from mine plan). The estimates of US \$17,000 per ha can be considered as a conservative estimate for this area and allows a cover for palm oil trees.

10.3 Diversion of Channel

A small watercourse flows through the concession area. This stream may require to be diverted in the process of mining. Total cost associated with the diversion of water stream has been estimated as US \$6.9M. This cost estimate is based on Preliminary designs of diversion channels estimated costs for the volume of material required to be moved.

10.4 Road from Pit to ROM Stockpile

Some minor reinforcement and strengthening of the road from the Girimulya Pit to ROM stockpile is underway which is anticipated to cost additional US \$1M with expected to be completed by Dec 2016.

10.5 ROM Handling Facilities

Total Cost associated with the construction of ROM coal handling facilities are estimated at US \$43.7M, including a contingency of US \$5.7M. The capital cost associated with installation of crushing and screening equipment is estimated at US \$34.5M while coal handling equipment is estimated at US \$9.2M. The estimated cost is based on the preliminary layout and costing for supply and construction (including ground support and earthworks) for an individual unit of 10 to 12 Mtpa. Four of these units would be required to cater for the peak production capacity at the project.

10.6 Haul Road Construction

Coal mined from the KG block is currently hauled by using a recently completed dedicated haul road.

Haul Road construction was practically completed in 2014 to Kusan and was extended to Girimuyla Block in 2015. This haul road joining Kusan and Girimulya to the port including an underpass of the main highway and is appropriate for coal haulage trucks of up to 60 tonne capacity. This haul road has capacity to haul up to 20 Mtpa of coal from KG Block area.

No further expansion of the haulage road is planned as GEAR plans to install conveyor to expand haulage capacity from 20 Mtpa to 40 Mtpa.

10.7 Overland Conveyor

Total Cost associated with the construction of conveyor facilities from Kusan block to Port 921 km) is estimated at US \$72.5M. The cost of overland conveyor is based on a cost of US \$3.45M per kilometer. The overland conveyor will be used for both the Kusan and Girimulya block.

Salva Mining notes that use of an overland conveyor is not very widespread in Indonesia. However, Salva Mining has reviewed operations of numerous overland conveyors working globally including the operation of PT Kaltim Prima Coal's 13 km overland conveyor, currently under operation in East Kalimantan region and a proposed 43 km long overland conveyor by PT Barau Coal (Sinarmas). The capital and operating costs for overland conveyor systems are relatively well understood. Salva Mining has opted to take a conservative approach in estimating these costs.

10.8 Port Stockpile and Jetty

Three additional units of stockpiles and Jetty each of 10 to 12 Mtpa capacity have been envisaged to be constructed. A cost estimate of US \$20M for each of this unit was made on the basis of the preliminary layout and costing for supply and construction (including ground support and earthworks). Overall the total estimated cost for port stockpile and Jetty facility including contingency has been taken as US \$69M, which includes a US \$9M provision for contingency.

10.9 Other Cost Items

Costs for other minor items are based on Salva Mining's in-house database and typical industry benchmark costs adjusted for the site conditions.

10.10 Mine Reclamation

In line with the standard industry practice, mine closure costs have been taken under operating cost estimates.

10.11 Exclusions

The following items are excluded from the capital cost estimate:

- Refundable taxes and duties;
- Currency fluctuations;
- Lost time due to severe weather conditions;
- Lost time due to force majeure;
- Additional costs for accelerated or decelerated deliveries of equipment, materials and services resultant from a change in project schedule;
- Any project sunk costs including this study;
- Community relations; and
- Owner's risk and exposure.

10.12 Capital Phasing

Based on the requirement of the project, capital expenditure for the major items has been distributed over the ramp-up period. The capital expenditure over the life of mine is shown in Table 10:2 below.

Table 10:2 Capital Cost Phasing (US \$M, Real Terms)

Capital Item	2016	2017	2018	2019	2020	2021	Total
Land Compensation	4.9	12.2	12.2	9.8	4.9	4.9	48.9
Port Stockpile and Jetty	-	-	17.3	17.3	17.3	17.3	69.0
Overland Conveyor	-	14.5	14.5	21.7	21.7	-	72.5
Crushing and Screening	-	6.9	6.9	6.9	6.9	6.9	34.5
Coal Power Station and Distribution	-	-	-	-	-	-	-
Contractor Mobilisation	0.6	0.9	0.9	1.2	1.2	1.2	5.8
Haul Road Construction	-	-	-	-	-	-	-
Diversion Channel	-	-	-	1.7	1.7	3.5	6.9
Coal Handling Equipment	-	-	4.6	-	2.3	2.3	9.2
Accommodation Camp	-	-	3.5	-	3.5	-	6.9
Additional Studies	-	2.3	1.4	0.9	-	-	4.6
Fuel Storage	-	1.7	-	1.7	-	-	3.5
Workshop, Office and Laboratory	-	1.4	-	1.4	-	-	2.9
Backup Power Generation	-	-	0.4	0.9	0.4	-	1.7
Road from Pit to ROM Stockpile	-	0.3	-	0.3	0.3	0.3	1.2
Explosive Magazine	-	0.6	0.3	0.3	-	-	1.2
Miscellaneous Roads	-	0.4	-	0.4	-	-	0.9
Water Supply and Sewage System	-	-	0.6	-	0.6	-	1.2
Communications	-	0.3	-	-	0.3	-	0.6
Total	5.5	41.5	62.4	64.5	61.0	36.2	271.1

11 Operating Cost

11.1 Method of Estimation

Overall operating costs are a combination of mining costs, crushing & handling costs, product transportation and general and administrative (G&A) costs.

These costs are based upon information obtained from the following sources:

- Existing contracts;
- Pre-feasibility studies;
- Budgetary quotations;
- Salva Mining projects database; and
- Experience of Salva Mining staff with other similar operations in the region.

Where specific data does not exist, cost allowances have been based upon consumption and operating requirements from other similar properties for which reliable data exists. The operating costs have been estimated and presented with an added contingency allowance of 5%. All costs are presented in real terms (Q3, 2016 dollars). Costs are exclusive of taxes unless otherwise noted. For the purpose of estimation, fuel price delivered to the site and exchanged rate assumed for the purpose of estimation is as followed:

- Fuel Price US \$0.70 / litre; and
- Exchange Rate IDR 13,000 / US \$.

In Salva Mining's opinion, all operating cost estimates are reasonable at this stage of project assessment given the size and stage of the project.

11.2 Items included in the Operating Cost Estimates

Coal is mined at the BIB Mine by conventional open-pit mining method using truck and excavator combination. It is envisaged to continue the use of mining contractors to exploit coal and overburden. Following cost elements were considered by Salva Mining:

- Land Clearing and Top Soil Removal: Clearing of land and removal of top soil in the process of mining, generally taken on the basis of \$/ha of the area;
- Mining – Waste / Overburden: Cost per bcm of waste removed;
- Mining – Coal: Cost per tonne of extracting coal;
- Crushing/ROM: Cost per tonne for coal crushing and handling;
- Power cost: Power cost per tonne of coal;
- Labour cost: Cost per tonne towards salary and wages to the company staffs;
- Trucking (Haul to Stockpile): Cost per tonne km to haul to port stockpile using specialist coal haulage trucks;
- Overland Conveyor: Cost per tonne km to haul to port stockpile using overland conveyor;
- Port Stockpile and Barge loading: Cost per tonne to store and load barges;
- Barging: Cost per tonne per kilometre to transfer barges; and coal using; and

- Transshipment: Cost per tonne per kilometre for transfer from barge to mother vessel using transshipment facility.

Additional variable operational costs have also been assumed by Salva Mining which includes:

- Environment and Mine Closure: Cost per tonne for all associated expenditure related to environmental approval and reclamation;
- Payment of agreed fees on a per tonne basis in the area owned by United Fiber;
- Government Royalties: Cost per tonne for royalty (13.5% of FOB “Barge”);
- Local Government Tax; and
- Corporate Overheads.

Costs have been categorised into four different cost types

- Contractor Cost;
- Owner Cost;
- VAT; and
- Local Government cost and Royalties.

11.3 Contractor Costs

Salva Mining has assumed all contractor cost to be variable in nature. Variable contractor cost is the type of cost which typically varies with the changes in minable quantities and strip ratio. The variable contractor cost is generally based on unit contract rates where a rate is specified for a number of physical quantities which are physically measured on a periodic basis including area cleared, waste mined etc. These types of contracts are generally in practice across entire coal mining Industry. Salva Mining has assumed a contract mining operation in all the pits. Salva Mining’s estimates are based on current contracts already in place at the mine, firm quotes, pre-feasibility studies and budget quotes.

Salva Mining notes that there is a significant downward revision in contract mining quotes and new rates are more competitive. Salva Mining has assumed unit rates that are considered to be sustainable for both contractors and mine owners in the long term. Salva Mining has compared these against the industry benchmarks and estimated these to be reasonable. Table 11:1 below shows the contractor unit rates.

Table 11:1 Contractor Unit Rates (Real Terms)

Cost Item	Unit	Rate
Land Clearing	\$/ha	1,700
Topsoil Removal	\$/bcm	1.80
Waste Mining	\$/bcm	1.80
Waste Haulage	\$/bcm/km	0.15
Coal Mining	\$/t	0.70
Haul to ROM Stockpile	\$/t km	0.12
Haul to Port Stockpile – Road	\$/t km	0.10
Barging	\$/t km	0.045
Transshipment	\$/t	1.30

Note: All quoted cost in local currency is adjusted for fuel price and exchange rate

11.4 Owner Costs

Salva Mining has assumed all owner cost to be variable in nature. Variable owner costs vary with the changes in physical quantities in the mine plan and are incurred by the company directly.

Salva Mining's estimates are based on current costs at the mine and pre-feasibility studies. The cost was compared with actual costs from other operations and then adjusted for the conditions and processes on the site. Salva Mining has determined these to be comparable against the industry benchmarks and estimated these to be reasonable. Table 11:2 below shows the owners unit rates.

Table 11:2 Variable Owner Unit Costs (Real Terms)

Cost Item	Unit	Rate
ROM Coal Handling	\$/t	0.30
Haul to Port Stockpile - Conveyor	\$/t km	0.04
Port Stockpile and Barge Loading	\$/bcm	0.70
Mine Closure	\$/ha	8,500
Environmental and Rehabilitation	\$/t	0.10
Water Treatment	\$/t	0.05
Salary and Wages	\$/t	0.25
Camp and Accommodation	\$/t	0.05
Medical & Community Development	\$/t	0.05
Land Use Payment	\$/t	0.25
Corporate Overheads	\$/t	0.50
Local Got Fees	\$/t	0.25
Contingency	\$/t	0.82

11.5 VAT

VAT is attributable on the variable component of contractor cost only. However, Salva Mining has taken a conservative approach and assigned a 10% VAT on all contractor costs rather than variable component only.

11.6 Royalties and Government Costs

The royalty is generally levied as percentages of sale proceeds to be applied for the different types of coal depending on its GCV and method of mining. However, different royalty rates have been adopted for different types of ownership structure which include: Contract of Work holders (CoWs) Coal Contract of Work holders (CCoW) Izin Usaha Pertambangan holders (IUP) and Izin Usaha Pertambangan Khusus holders (IUPK).

A royalty of 13.5% of revenue is applicable to coal sales from the BIB concession. This amount is defined in the PKP2B and subsequent agreements between BIB and the Indonesian government. Regulation No. 17 of 2010 issued by the Minister of Energy and Mineral Resources (MEMR) also requires that all coal sales be made at a minimum (or benchmark) price that is defined by the Indonesian government on a monthly basis. The methodology for calculation of the minimum price is described in Regulation No. 515.K/32/DJB/2011 and

Regulation No. 644.K/30/DJB/2013 issued by the Directorate General of Minerals and Coal (DGMC).

Salva Mining assumed that future benchmark prices will be equal to or lower than the forecast prices used in this study and thus the forecast coal price has been used for the calculating royalty payments. In addition to the royalty rate of 13.5%

Salva Mining has also applied a provision of \$0.25/t towards local government costs.

11.7 Overall Operating Cost

Total operating costs per tonne of coal product including royalty for the BIB Mine has been estimated as \$21.78/t over the life of the mine. VAT has been indicated under separate heading. The cost components for the different heads have been given in Table 11:3 below.

Table 11:3 Average Unit Operating Cost (Real Terms) over Life of Mine

Cost Item	\$/t
Land Clearing	\$0.01
Topsoil Removal	\$0.03
Waste Mining	\$7.42
Waste Overhaul	\$0.58
Coal Mining	\$0.70
Haul to ROM stockpile	\$0.57
ROM Coal Handling	\$0.30
Haul to Port Stockpile	\$0.97
Port Stockpile and Barge loading	\$0.70
Barging	\$1.15
Transshipment	\$1.30
Mine Closure	\$0.05
Environmental and Rehabilitation	\$0.10
Dewatering and Water Treatment	\$0.05
Salary and Wages	\$0.25
Camp and Accommodation	\$0.05
Medical & Community Development	\$0.05
Land Use Payment	\$0.25
Corporate Overheads	\$0.50
Local Government Fees	\$0.25
VAT	\$1.20
Contingency	\$0.82
Operating Cost Excl. Royalty	\$17.31
Royalty	\$4.47
Operating Cost Incl. Royalty	\$21.78

Salva Mining has compared these against the industry benchmarks and estimated these to be reasonable.

12 Financial Analysis & Project Valuation

The BIB Mine as an operating mine undergoing expansion as such, in Salva Mining's opinion, it is appropriate to use the discounted cash flow (DCF) method to determine the technical value of the project. In the forming over opinion of valuation, Salva Mining has not applied any premium or discount to the technical value to determine the market value on the basis of strategic, market related or any other special factors.

12.1 Modelling Methodology & Considerations

The valuation model for the BIB Mine was developed in Microsoft Excel. Valuation has been derived from analysis of cash flows calculated for the project over the life of mine. The valuation was designed so that input parameters could be varied to investigate different scenarios to determine an estimated valuation range. Salva Mining has adopted the following considerations in its financial model:

- The model is developed in nominal terms. All cost and prices were considered in real terms and then converted to nominal terms;
- The model assumes continuous cash in and outflows, which are reflected in mid-point discounting during a period;
- Cash flows was developed on stand-alone project basis;
- Sunk cost (including acquisition costs) is excluded; and
- All future cash flows were discounted using WACC.

12.2 Base or Preferred Case

A base case valuation was developed using the assumptions discussed in various section of this report. Key inputs are summarised in Table 12.1 below.

Table 12:1 Preferred Case – Key Input Parameters

Key Parameters	Description	Unit	Value
Peak Production capacity	Maximum annual production capacity	Mtpa	40
Life of Mine Considered	Years of coal production	years	20
Discount Rate	Discount rate (nominal terms)	%	10.5%
Corporate Tax Rate	Indonesian corporate tax rates	%	25.0%
LRC Coal Price	Aver. price for LRC Coal (real terms)	\$/t	36.0
HRC Coal Price	Aver. price for HRC Coal (real terms)	\$/t	62.5
Capital - Project	Total project capital expenditure (real terms)	\$M	271
Capital - Sustaining	Total ongoing replacement capital (real terms)	\$M	89
Coal Mined	Coal mined over life of mine	Mt	655
Stripping Ratio	Aver. ratio of waste: coal	bcm:t	4.12x
Waste Mined	Waste mined over life of mine	Mbcm	2,698
Operating Cost Excl. Royalty	Aver. operating cost (real terms)	\$/t	17.31
Royalty	Aver. royalty (real terms)	\$/t	4.47
Operating Cost Incl. Royalty	Aver. operating cost including royalty (real terms)	\$/t	21.78

Table 12:2 Preferred Case – Financial Model

Item	Units	LOM	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Coal Mined	Mt	655	2	12	15	17	23	32	36	40	40	40	40	40	40	40	40	40	40	40	40	38
Waste Mined	Mbcm	2,698	7	38	48	57	75	105	125	140	148	148	156	160	160	180	180	180	200	200	200	191
Stripping Ratio	bcm:t	4	3	3	3	3	3	3	4	4	4	4	4	4	4	5	5	5	5	5	5	5
Product - LRC Coal	Mt	651	2	12	15	16	22	31	35	40	40	40	40	40	40	40	40	40	40	40	40	38
Product - HRC Coal	Mt	4	-	-	-	1	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue	\$M	30,498	75	371	476	598	803	1,315	1,490	1,693	1,734	1,775	1,818	1,862	1,906	1,952	1,999	2,047	2,096	2,146	2,198	2,144
Total Capital	\$M	406	5	42	66	71	70	46	6	7	7	7	7	7	7	8	8	8	8	8	8	9
Operating Cost	\$M	14,921	38	197	248	301	411	566	636	732	780	796	841	874	893	972	994	1,034	1,125	1,151	1,180	1,151
Royalty	\$M	3,835	9	46	59	74	100	166	187	213	218	223	229	234	240	246	252	258	264	270	277	270
EBITDA	\$M	11,743	28	129	168	222	293	584	666	748	736	756	749	753	773	734	754	755	708	725	741	722
Cash Margin	0	18	12	11	11	13	13	18	19	19	18	19	19	19	19	18	19	19	18	18	19	19
Depreciation	\$M	355	-	1	5	8	12	14	15	16	16	17	17	18	19	20	22	23	25	28	32	45
Corporate Tax	\$M	2,847	7	32	41	53	70	142	163	183	180	185	183	184	188	179	183	183	171	174	177	169
EARNING AFTER TAX	\$M	8,541	21	95	123	160	211	427	488	549	540	554	548	551	565	536	549	549	512	523	531	508
Depreciation	\$M	355	-	1	5	8	12	14	15	16	16	17	17	18	19	20	22	23	25	28	32	45
Working Capital Adj.	\$M	-	5	17	6	8	12	40	14	14	0	3	1	2	3	2	3	2	3	3	3	132
Capital Expenditure	\$M	406	5	42	66	71	70	46	6	7	7	7	7	7	7	8	8	8	8	8	8	9
Unlevered Cash Flow	\$M	8,490	11	37	55	89	140	355	483	545	549	561	558	560	574	550	560	562	532	539	552	676
Discounted Cash Flow	\$M	2,904	11	34	46	67	96	219	270	275	251	232	209	190	176	153	141	128	109	100	93	103
Cumulative DCF	\$M	2,904	11	45	91	158	254	473	743	1,018	1,269	1,502	1,711	1,901	2,077	2,230	2,370	2,498	2,607	2,708	2,801	2,904
NPV	\$M	2,904																				

12.2.1 Preferred Case Results

Financial Model for the preferred case is shown in Table 12:2. The results of the preferred case valuation scenario are shown in Table 12:3 below.

Table 12:3 Preferred Case – Financial Outputs & Valuation

Financial Summary (Nominal Terms)	\$ M
Revenue	\$30,498
Operating Cost	\$14,921
Royalties Payment	\$3,835
Corporate Tax Expenses	\$2,847
Total Capital (including Sustaining Capital)	\$406
Cumulative Free Cash Flows	\$8,490
Net Present Value (NPV)	\$2,904

Under the preferred case of using a nominal discount rate after tax of 10.5%, the Project NPV is determined as US \$2,904M. The Project cash streams are shown in Figure 12:1 while discounted and cumulated discounted cash flows is indicated in Figure 12:2.

Figure 12:1 Cash Streams – Preferred Case

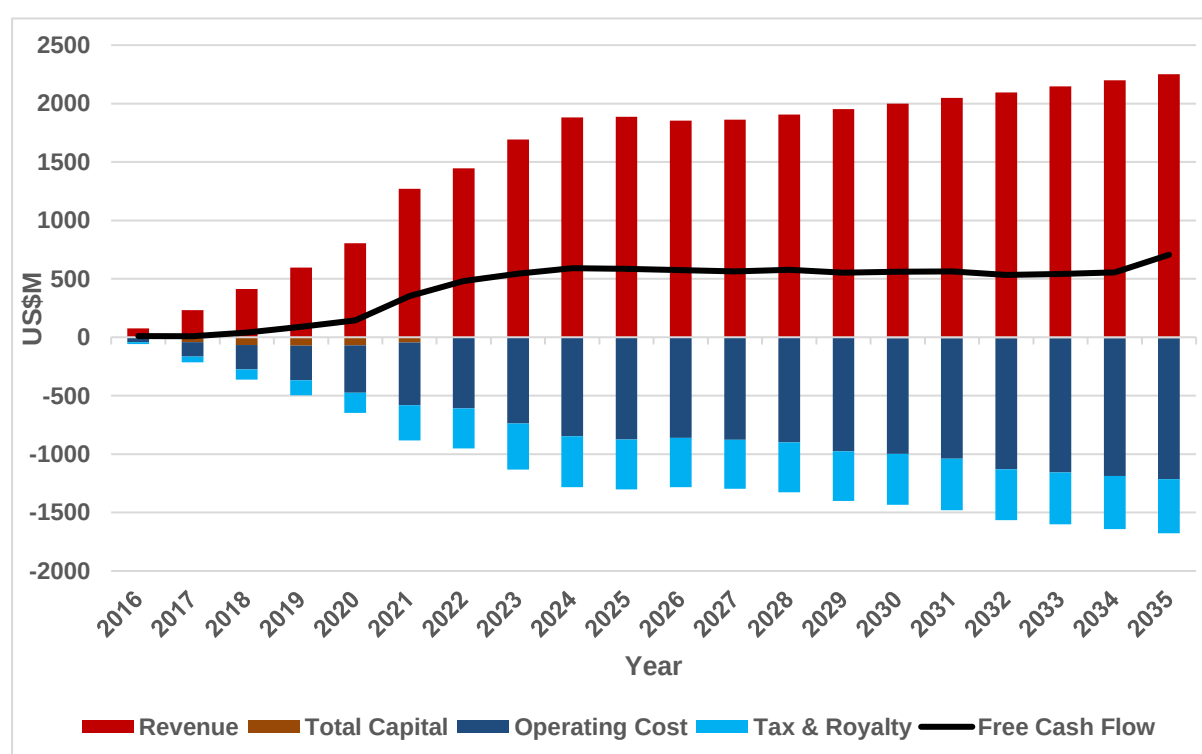
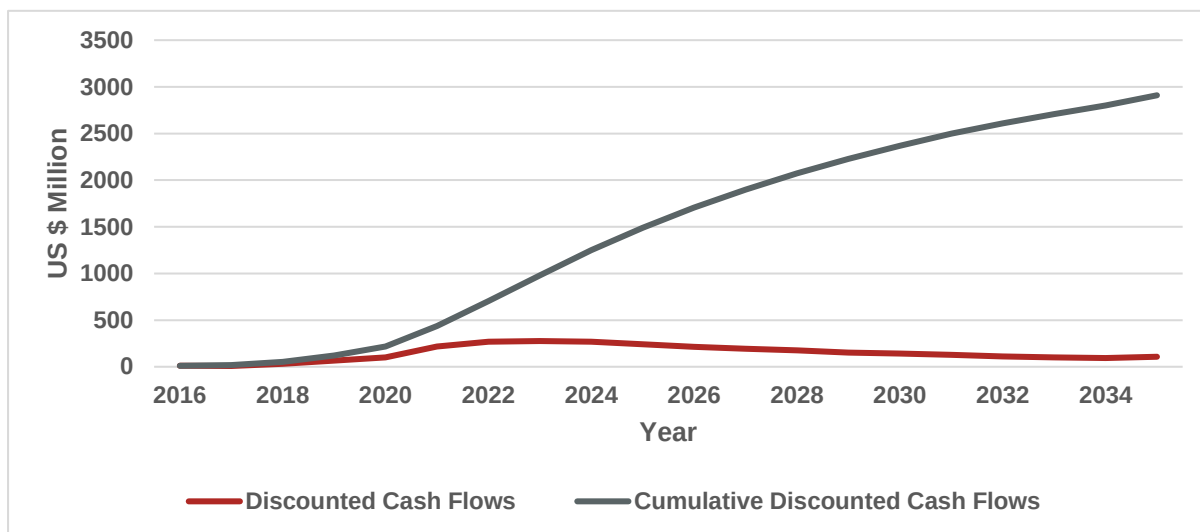


Figure 12:2 Discounted Cash Flow Profile



12.2.2 Sensitivity Analysis

Sensitivity of the project was assessed for key parameters like sales price, discount rate, operating cost and capital cost. Figure 12:3 exhibits the project sensitivities.

Figure 12:3 Key Project Sensitivities

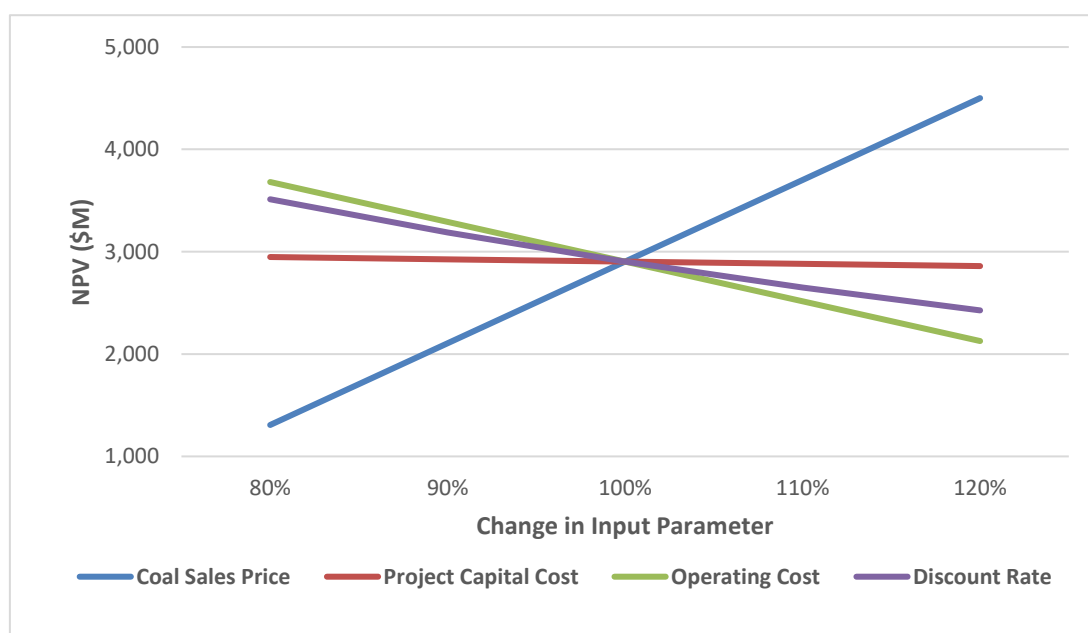


Table 12:4 outlines the impact of project NPV for change in the input parameters.

Table 12:4 Project Sensitivity

Key Input Variables	Change in Input Parameter (%)				
	80%	90%	100%	110%	120%
Coal Sales Price	1,307	2,106	2,904	3,702	4,501
Discount Rate	3,512	3,189	2,904	2,651	2,427
Operating Cost	3,681	3,292	2,904	2,516	2,127
Project Capital Cost	2,948	2,926	2,904	2,882	2,860

As seen in the Table 12:4, the BIB Mine is most sensitive to coal sales price followed by change in operating cost.

12.3 Valuation Range

In order to determine the range of valuation estimates (low and high scenarios), a range of key inputs in the financial model were selected to reflect upper and lower values that are considered reasonable by Salva Mining for key input assumptions. To determine low case valuation, coal price was decreased by 5% along with 5% increase in capital and operating cost. In case of high case, price was increased by 5% along with 5% reduction in capital and operating cost. The input parameters assumptions for the low and high range are shown in Table 12:5.

Table 12:5 Valuation Range - Input Parameters

Case	Key Input Parameters	Unit	Valuation Input
Low	Aver. Price – LRC	\$/t	34.20
	Operating Cost (Real Terms)	\$/t	22.87
	Project Capital Cost (Real Terms)	\$M	373.4
Preferred	Aver. Price – LRC	\$/t	36.00
	Operating Cost (Real Terms)	\$/t	21.78
	Project Capital Cost (Real Terms)	\$M	359.8
High	Aver. Price – LRC	\$/t	37.80
	Operating Cost (Real Terms)	\$/t	20.69
	Project Capital Cost (Real Terms)	\$M	346.2

The results of the analysis for the low and high cases are shown in Table 12.6 below.

Table 12:6 Valuation Range

Key Outcomes	Unit	Valuation Range (US \$M)	
		Low	High
Net Present Value (after Tax)	\$M	2,299	3,509

12.4 Second Valuation Approach – Market Comparable Transaction Method

Salva Mining has considered market comparable transaction method as the secondary valuation method to assess value of the BIB Project.

Salva Mining identified five (5) transactions involving operating mines with production of over 5 Mtpa. Two of these projects (Sakari and Arutmin) were located in Indonesia while remaining three were located in Australia (Table 12:6). The valuation range for these project ranged from \$4.36/t to \$11.74/t of ROM Coal Reserve.

While the coal quality of the BIB Project is lower than that at these projects, the operating margins at these projects were similar to that being achieved at the BIB Project as the stripping ratio at the BIB Project is quite low with less freight cost due to close proximity to coast. The BIB Project has further advantage similar to other projects in Indonesia that ROM Coal Reserves is similar to Marketable Coal Reserves as coal processing is typically not required for the Indonesian coal.

The valuation range derived from the Income Based NPV approach is appropriate as the implied valuation based on Income approach converts to the valuation range of \$3.40/t to \$5.36/t of Reserves with preferred value of \$4.44/t of Reserves (Table 12:7).

Table 12:7 Valuation Range - \$/t Reserve

Item	Market Value (US \$M)		
	Lower	Preferred	Upper
Implied Valuation, \$/t ROM Reserve	3.40	4.44	5.36
Net Present Value, 100% of Project Basis	2,299	2,904	3,509

In Salva Mining's opinion, the valuation range and preferred value derived from the Income based approach is within the acceptable range of the comparable market transactions range as such, Salva Mining has used valuation derived from income based approach as the value of the project.

Table 12:8 Market Comparable Transactions, Operating Mines > 5 Mtpa

Date	Seller	Buyer	Asset	Location	Transaction US\$ M	Equity %	Value 100% Proj US\$ M	Prod. Mtpa	Coal Type	Reserves ROM Mt	Reserves Mkt Mt	CV kcal/kg	\$/t ROM Reserve
30/09/2015	Rio Tinto	New Hope	Bengalla Mine	NSW, Australia	617	40%	\$1,542	8.6	Thermal	271	219	6,544	\$5.69
25/10/2013	Rio Tinto	Glencore	Clermont Mine	Qld, Australia	1015	50%	\$ 2,026	11.5	Thermal	173	164	6,664	\$11.74
30/01/2014	Tata Power	PT Arutmin	Arutmin	South Kalimantan	510	30%	\$1,700	29.6	Thermal	390	390	5,300	\$4.36
27/08/2012	Sakari Resources	PTT Mining Ltd	Subuku, Jembayan etc.	South Kalimantan	960	55%	\$1,758	10.7	Thermal	175	n/a	5,626	\$10.06
31/12/2011	Aston	Whitehaven	Maules Creek	NSW, Australia	2640	85%	\$3,106	10.8*	Coking & Thermal	362	329	7,000	\$8.58

* under advanced construction stage

13 Valuation Summary

Salva Mining has estimated the valuation of the BIB concession using the assumptions and inputs detailed in this report. Salva Mining's opinion of the technical value and thus the project value (on 100% basis) as at 31 August 2016 is shown in Table 13:1 below, which takes into account the high and low cases and the sensitivity of the project.

Table 13:1 Valuation Summary

Item	Market Value (US \$M)		
	Lower	Preferred	Upper
Valuation, 100% of Project Basis	2,299	2,904	3,509

13.1 Previous Valuation

The BIB project was previously valued in August 2014.

The current BIB valuation incorporates significantly higher Coal Reserve (654 Mt vs. 604 Mt) and higher cash operating margin (\$14.2/t vs \$12.0/t) along with reduction in WACC (10.5% vs. 11.5%) as the debt interest rates have declined significantly in the past 2 years.

Table 13:2 below shows a breakdown of the difference in key input parameters and resultant valuation.

Table 13:2 Valuation - Comparison with Previous Estimate

Parameter	Valuation	Unit	Salva Mining Aug 2016 US\$M	HDR Salva Aug 2014 US\$M
Input Parameters	Coal Reserves	Mt	654.7	604.4
	Long Term Coal Price LRC	US\$/t	36.0	41.4
	Average Operating Cost	US\$/t	21.8	29.4
	Average Cash Margin	US\$/t	14.2	12.0
	Discount Rate	%	10.5	11.5
Valuation – BIB Project		US\$M	2,904	2,114

14 Risk Factors & Opportunities

Salva Mining has identified a range of risk elements or risk factor which may affect the future operations and financial performance of the BIB Mine. Some of the risk factors are completely external, which is beyond the control of management. However, the project specific risk can be mitigated by taking proper measure in advance. Key Project risks that have been identified are discussed below.

14.1 Project Risks

14.1.1 Resources and Reserves

Although the majority of coal included in the Life of Mine Plan contains Proved and Probable Reserves which was modelled from Measured and Indicated Resources respectively, a total of 11% of the coal in the pit shell is classified under “Inferred Resources within optimized pit shell due to the lack of core samples and quality analysis.

Therefore, to mitigate the risk associated with the inclusion of Inferred Resources within optimized pit shell and to be on conservative side, Salva Mining has scheduled total minable tonnes to be equal to the quantity of Proved and Probable Reserves only. In Salva Mining’s schedule, the cumulative tonnes to be mined over the life of mine do not exceed the total Coal Reserves.

However, it is still considered possible that further exploration and technical studies may result in a reduction or an increase of Reserves which would have some impact on the value of the concession.

14.1.2 Geotechnical Risk

Although the design of pit slop angles has been based on Geotechnical studies that undertaken for the Kusan block in the BIB concession, but these studies are considered to be preliminary in nature. These studies were used to assess the general relationship between pit depth and overall slope angles for pit high walls.

Although Salva Mining has taken an appropriate factor of safety by maintaining a large offset in the pit design, further detailed geotechnical analysis is recommended for the final pit designs to ensure that there is an adequate factor of safety for the actual pit designs.

14.1.3 Coal Price Risk

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

- Economic conditions in Indonesia and globally;
- Government actions; and
- Fluctuations in industries with high coal demand such as Power Sector and other industries using thermal coal.

Although sufficient analysis and studies have been conducted to ascertain future long term forecasts, if there is a fall in long term prices there would be a substantial reduction in the value of the project. While it is unlikely that the project will become uneconomic as it is considered to be a relatively low cost producer, the reduction in long term price will adversely affect the coal reserves estimates and may cause reduction in production target and pit design.

14.1.4 Impact on Weather on Production

South Kalimantan has tropical climate with a high rainfall. During rainy season, weather is expected to impact on the mining production due to the project being an open-pit mining operation. However, this has been factored into account for potential weather related impacts by having a provision of sufficient coal stockpiles.

14.1.5 Expansion and Infrastructure Associated Risk

Ramping up production to 40 Mtpa requires mobilisation of large amounts of mobile equipment and construction of coal handling facilities. The ability to achieve the target production expansion has significant impact on the valuation of the project.

While a reasonable timeframe has been allowed for obtaining approvals and design and construction of this infrastructure, the construction of new facilities and expansion of production may exceed the currently envisaged timeframe cost for a variety of reasons both within and outside the control of the Project's management. These may include delays in obtaining approvals, construction of mine infrastructure, delivery of new equipment, site establishment, recruitment of the workforce and many others.

14.1.6 Mining Approvals, Tenure and Permits

A number of government permits and approvals are required to facilitate expansions of the BIB Mines and the associated infrastructure facilities. Any delays in obtaining the required approvals may affect the production expansion and the mine plan. This may likely to cause the project to overrun which may significantly affect project capital and operating costs.

The risk associated with the tenure of concession is considered to be significantly lower than many other nearby mines, as the tenure is held under a 2nd generation PKP2B that is valid for close to the entire planned mine life. The company must be studious in complying with all conditions of the contract to ensure that they maintain tenure and a good relationship with regulatory organisations.

14.1.7 Land Acquisition

Most mining operations in Indonesia are facing issues in acquiring land for their projects. Acquiring land and compensating land owners is considered to be a significant issue, especially in areas which are densely populated.

In order to achieve the value estimated in this study, BIB will need to identify key land owners in advance so that an appropriate settlement can be reached and no interruptions to the development of the project will occur. Land compensation will be required for mining areas, dumping areas and infrastructure construction. Salva Mining is not aware of any specific land compensation issues with the BIB concession at the current time that may affect this valuation. However, it is considered possible that delays to land compensation and associated

interruptions to the project may occur in the future and that this may have a material impact on the value of the concession.

14.1.8 Environmental and Social Risks

While environmental and social risks have been identified and management plans are in place, it is possible that failure to comply with the environment criteria or failure to maintain good relationships with the local community will have an impact on project value. These risks are not considered to be greater for the BIB Mine than for other operating coal mines operating in Indonesia.

14.1.9 Operational and Mine Safety

Mining operations at BIB concession operates in accordance with applicable laws and currently acceptable industrial practices. In addition, it conducts its operations in a responsible manner with regard to occupational and mine safety.

The project is subject to Indonesian laws and regulations regarding occupational and mine safety, which means that there are potential liability risks. Coal producers who fail to comply with safety regulations will be subject to penalties, including fines and suspension of the mining permit for the mine.

The proposed coal mining operations will be subject to several operational risks such as contractor performance, poor mining practice which may increase strip ratio, equipment failure, accidents etc. These unforeseen events have the potential to result in being unable to meet production targets and it can potentially increase cost of production.

14.1.10 Operating and Capital Costs Estimates

Most of the operating cost items considered for economic assessment are based on the actuals being achieved at the operations. Since 2012, many contracts have been renegotiated at much lower rates and new contracts are more competitive. While Salva Mining has assumed unit rates that are considered to be sustainable for both contractors and mine owners in the long term, any occurrence of operating costs higher than the forecast costs would have a significant impact on the value of the BIB Mine. To mitigate the risk associated with future price escalation, Salva Mining has allowed a suitable contingency in preparing the estimates.

Capital expenditure estimates are considered to be preliminary estimates based and is not based on detailed engineering design. These estimates depend on many factors and can be affected by a wide range of changing circumstances. These can vary from the worldwide demand for specific materials and components like steel, rubber, parts manufactured predominantly in certain parts of the world.

While the estimates are considered to be conservative, Salva Mining has factored a contingency of 15% to its capital estimate. Any increase in actual capital costs will have a significant impact on project value.

14.1.11 Human Resources

The BIB Mine is planned to expand rapidly over the next 8 years, and as such there will be a need to attract and retain key personnel critical to achieving the planned production. The

demand or mining and construction personnel are usually cyclical in nature and depending on the phase of the cycle it may be difficult to attract sufficient numbers of professionals to fulfil the demand. The failure to recruit sufficiently qualified staff could affect many aspects of future performance including operations, finance, community and government relations marketing and planning. If the company cannot attract, train and retain qualified managers, the company may be unable to successfully manage its growth or otherwise compete effectively in the coal industry.

A shortage of skilled labour in the Indonesian mining industry could result in the company having insufficient employees or contractors to operate its business efficiently. Similarly, industrial action by the employees of either the company or mining contractors could negatively impact planned production and consequently financial performance.

14.1.12 Political and Regulatory Risk

Since 2009, Indonesian mining has been governed by the Central Government's "New Mining Law", enacted to provide greater opportunity for the industry to expand to meet growing Asian demand. The Mining Law aimed to reflect the Government of Indonesia's ("GoI") desire to recognise the financial benefits of its own natural resources, by ensuring that the GoI had greater input into resource extraction. The major developments from the 2009 Mining Law have been the Domestic Market Obligation (DMO) and Export Benchmark Pricing (HBA).

Some future regulations may include a coal export tax or ban on certain qualities, stricter coal road transportation rules and alignment of IUP and CCOW royalty rates. The actual implementation of these new aspects of the law is still unclear and many contract holders are currently in negotiation with the Indonesian government regarding this issue. Issues like DMO, Coal upgrading requirements, Export taxes, Minimum Pricing Regulations and Foreign Ownership Restriction of the new law may affect the valuation of the BIB concession.

In our view, the likelihood of these being implemented is minimal. The value-adding requirement for mineral exports in Indonesia, enacted on 1 January 2014, which has had broad implications for the metals sector, is not applicable to the coal sector and so has had no apparent effect on coal industry.

14.2 Key Opportunities

There are a number of options that the BIB Mine may consider to reduce operating costs at their concession. These have not been incorporated into this study as there is insufficient engineering design and confidence in the suitability, operating and capital costs for such options. Further investigation and technical work on these options is currently underway and may allow for their inclusion in future valuations. Potential opportunities for improvement include:

- Potential to mine additional "Inferred Resources within optimized pit shell" or upgrade the Inferred Resources to Indicated or Measured Resources and convert these to Ore Reserves by a study at Pre-Feasibility level and subsequently mine these additional reserves.
- Deployment of large size excavator with matching trucks;
- In pit crushing and conveying for waste mining and hauling;
- Use of large Electric shovels and trolley assist trucks; and
- Minimising stockpile and rehandling by maximising direct ship loading.

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Appendix A – CVs

Person	Role
Manish Garg (Director - Consulting) / Partner	
Qualification	B. Engg (Hons), MAppFin
Prof. Membership	MAusIMM; MAICD
Contribution	Overall Supervision, Valuation (VALMIN 2005)
Experience	Manish has more than 25 years' experience in mining Industry. Manish have worked for mining majors including Vedanta, Pasminco, WMC Resources, Oceanagold, BHP Billiton - Illawarra Coal and Rio Tinto Coal. Manish has been in consulting roles for past 5 years predominately focusing on due diligence, valuations and M&A area. A trusted advisor, Manish has qualifications and wide experience in delivering due diligences, feasibility studies and project valuations for banks, financial investors and mining companies on global projects, some of these deals are valued at over US\$5 billion.
Grenville Davies (Principal Consultant - Geology)	
Qualification	B. Sc. (Hons), M.Sc. (Geology)
Prof. Membership	MAusIMM
Contribution	Geology, Resource (JORC 2012)
Experience	Grenville has more than 35 years of experience in most aspects of coal geology; including exploration, geological modelling, resource estimation, open cut and underground mine geology. He has worked for two of the major Australian software houses responsible for developing both Minex and Minescape as well as working for mining majors like BHP Billiton and consulting to major mining companies for both geological modelling. As a consultant he has worked on audits and due diligence for companies within Australia and overseas. He has strong expertise in data management, QA/QC and interpretation; reviews/audits of data sets, models and resource estimates.
Sunil Kumar (Principal Consultant - Mining)	
Qualification	B. Engg. (Mining)
Prof. Membership	MAusIMM
Contribution	Mine Scheduling, Reserve (JORC 2012)
Experience	Sunil is a mining engineer with 25 years' experience in the mining industry across operations and consulting. His career spans 4 years in working in mining operations and about 21 years as a mining consultant primarily in the mine planning & design role which included estimation of coal reserves, DFS/FS, due diligence studies, techno-commercial evaluations and technical inputs for mining contracts. Prior to joining Salva Mining, Sunil was working as Principal Mining Engineer at Xstrata Coal. To date Sunil has worked on over 25 coal projects around the world, inclusive of thermal and coking coal projects in Australia, as well as in major coalfields in India, Indonesia, Mongolia and Mozambique.

Appendix B: SGX Mainboard Appendix 7.5

Cross-referenced from Rules 705(7), 1207(21) and Practice Note 6.3

Summary of Mineral Reserves and Resources

Name of Asset / Country: Borneo Indobara / Indonesia

Category	Mineral Type	Gross (100% Project)		Net Attributable to GEAR		Remarks
		Tonnes (millions)	Grade	Tonnes (millions)	Grade	
Reserves						
Proved	Coal	519	Bituminous A / Subbituminous B	509	Bituminous A / Subbituminous B	
Probable	Coal	136	Bituminous A / Subbituminous B	134	Bituminous A / Subbituminous B	
Total	Coal	655	Bituminous A / Subbituminous B	642	Bituminous A / Subbituminous B	
Resources*						
Measured	Coal	919	Bituminous A / Subbituminous B	901	Bituminous A / Subbituminous B	
Indicated	Coal	335	Bituminous A / Subbituminous B	329	Bituminous A / Subbituminous B	
Inferred	Coal	565	Bituminous A / Subbituminous B	554	Bituminous A / Subbituminous B	
Total	Coal	1,819	Bituminous A / Subbituminous B	1,784	Bituminous A / Subbituminous B	

* Mineral Resources are reported inclusive of the Mineral Reserves.

Appendix C – Resource & Reserve Report