



ACN 146 530 378

Notice of General Meeting, Explanatory Statement & Proxy Form

General Meeting to be held at

512 Hay Street, Subiaco, Western Australia

On Thursday, 31 October 2013 at 10.30am

This Notice of General Meeting, Explanatory Statement and Proxy Form and the accompanying Independent Expert's Report should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

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Annexure A – Terms and conditions of Kopejtko Loan NoteAttached

Annexure B – Independent Expert’s Report.....Attached

Key dates

An indicative timetable of key proposed dates is set out below. These dates are indicative only and the dates are subject to possible change.

Event	Date
Snapshot date for eligibility to vote	29 October 2013
Last day for receipt of Proxies*	29 October 2013
General Meeting	31 October 2013

*Proxy Forms received after 10.30am on this date will be disregarded.

Notice of General Meeting

Notice is hereby given that a General Meeting of Ascot Resources Limited (ACN 146 530 378) (**Company**) will be held at 512 Hay Street, Subiaco Western Australia 6008 at **10.30am on Thursday, 31 October 2013**.

The Explanatory Statement, which accompanies and forms part of this Notice, describes the various matters to be considered.

Terms used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the Glossary set out in the Explanatory Statement.

Agenda

Resolution 1 – Approval of Urabá Transaction

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“Subject to the passing of Resolution 2, that, for the purposes of Listing Rule 10.1 and sections 195(4) and 208 of the Corporations Act and for all other purposes, Shareholders hereby approve and authorise the Directors to complete the Urabá Transaction, in accordance with the terms and conditions set out in the Explanatory Statement.”

Independent Expert’s Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of Resolution 1 to Shareholders whose votes are not to be disregarded. The Independent Expert has concluded that on balance, the Urabá Transaction is fair and reasonable to the Shareholders whose votes are not to be disregarded.

Resolution 2 – Approval of financial benefit to Mr Andrew Caruso

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“Subject to the passing of Resolution 1, that, for the purposes of section 208 of the Corporations Act and for all other purposes, Shareholders hereby approve the conferral of a financial benefit on Mr Andrew Caruso, a Director, as a result of the Urabá Transaction, in the manner set out in the Explanatory Statement.”

Resolution 3 – Approval to convert Kopejtka Loan Note

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, Shareholders hereby authorise the Kopejtka Loan Note to be convertible into Shares in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 4 – Approval to issue Shares in lieu of interest under the Kopejtka Loan Note

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, Shareholders hereby authorise the issue of Shares in satisfaction of interest payable under the Kopejtka Loan Note from time to time, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 5 – Approval to convert Sedgman Loan Note

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders hereby approve the issue of Shares to Sedgman Limited or its nominee, at an issue price of \$0.18 per Share on the conversion of the outstanding amount owed by the Company under the Sedgman Loan Note, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 6 – Approval to issue Shares in lieu of interest under the Sedgman Loan Note

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders hereby authorise the issue of Shares in satisfaction of interest payable under the Sedgman Loan Note from time to time, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 7 – Approval of proposed issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders hereby authorise the issue of up to 30,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting prohibition and exclusion statements

Resolution 1

The Company will disregard any votes cast on Resolution 1 by Hampshire Mining and any Associates of Hampshire Mining. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 2

A vote on Resolution 2 may not be cast, in any capacity, by or on behalf of Mr Caruso and any Associates of Mr Caruso. However, a vote on Resolution 2 may be cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, provided it is not cast on behalf of Mr Caruso or any Associate of Mr Caruso.

A person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 2 if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on the Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chairman; and
- (d) the appointment expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolutions 3 and 4

A vote on Resolution 3 and/or Resolution 4 may not be cast, in any capacity, by or on behalf of Jesson and any Associates of Jesson. However, a vote on Resolution 3 and/or Resolution 4 may be cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, provided it is not cast on behalf of Jesson or any Associate of Jesson.

The Company will disregard any votes cast on Resolution 3 and/or Resolution 4 by Jesson and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the relevant Resolution passed, and Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolutions 5 and 6

The Company will disregard any votes cast on Resolution 5 and/or Resolution 6 by Sedgman Limited and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the relevant Resolution is passed, and Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 7

The Company will disregard any votes cast on Resolution 7 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board

Mr David Berg
Company Secretary
26 September 2013

Proxy appointment, voting and Meeting instructions

Lodgement of a Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be lodged with the Company no later than 10.30am WST on **Tuesday, 29 October 2013** being not later than 48 hours before the commencement of the General Meeting. Any Proxy Form received after that time will not be valid.

Proxy Forms may be lodged:

By hand: 512 Hay Street, Subiaco, Western Australia, 6008

By mail: Company Secretary, Ascot Resources Limited
512 Hay Street, Subiaco, Western Australia, 6008

By fax: (08) 9380 6440 (within Australia)
+61 8 9380 6440 (outside Australia)

By email: admin@ascotresources.com

Appointment of a proxy

A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy. The proxy may, but need not be, a Shareholder of the Company.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy.

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on +61 8 9381 4534 or you may photocopy the Proxy Form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Corporate Shareholders

Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

- two directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary – that director.

Votes on Resolutions

You may direct your proxy how to vote on a Resolution by placing a mark in one of the boxes opposite the Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Resolutions by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Resolutions, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on the Resolution will be invalid.

Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 5.00pm WST on Tuesday, **29 October 2013**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

Corporate representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company before the General Meeting or at the registration desk on the day of the General Meeting.

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the General Meeting.

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

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

1. Resolution 1 – Approval of Urabá Transaction

1.1 Background to the Urabá Transaction

On 22 July 2013 the Company entered into a conditional, binding heads of agreement with Hampshire Mining to acquire an indirect 90% interest in a 4,971 hectare coal concession located in the Urabá region of the Department of Antioquia, Colombia (**Urabá Concession**).

The original heads of agreement has since been varied by a deed of variation dated 5 September 2013 (**Hampshire Heads of Agreement**). Under the Hampshire Heads of Agreement, Hampshire Mining has agreed to procure the transfer from its subsidiary, Carbones Uraba, to the Company's 100% owned subsidiary, Carbones Spain, the right to enter into an agreement to acquire 90% of the issued shares in Carbones Golfo, which holds 100% of the Urabá Concession.

As at the date of this notice of meeting, the Company and its subsidiary, Carbones Spain, are in the process of finalising an agreement with the existing shareholder of Carbones Golfo for the acquisition of 90% of Carbones Golfo (**Carbones Golfo Acquisition Agreement**).

The existing shareholder of Carbones Golfo is a private Colombian entity not associated or affiliated with Hampshire Mining,¹ the Company or any of the directors of either the Company or Hampshire Mining.

1.2 The Urabá Concession

About the Urabá Concession

The Urabá Concession is located in the northern-most part of the Department of Antioquia, near the border with the Department of Cordoba. The Urabá Concession lies on the eastern flank of the valley of the Rio Currulao, which flows northward and continues southward past the headwaters into the valley of the Rio Mulatos.

¹ At present the shareholders of Carbones Golfo are El Cedro S.A.S, Carlos Eduardo Posada Uribe, HENFA Minera S.A.S, SM Proyectos S.A.S, Jorge León Duque Pineda and Maria Clara Posada Díaz, each of which are not associated or affiliated with Hampshire Mining. It has been agreed that those shareholders will incorporate a new company to hold the 10% minority interest in Carbones Golfo that will not be held by Ascot after Completion.

Figure 1: Map identifying location of Urabá Project and Titiribi Project



Details of the concession, which covers a total land area of 4,971 hectares, are set out in Table 1, below.

Table 1: Mining concession schedule

National Mining Register ID	Area (Ha)	Status	Year Granted	Expiry
ED4-152	4,971	Granted	2007	2037

Regional Geology

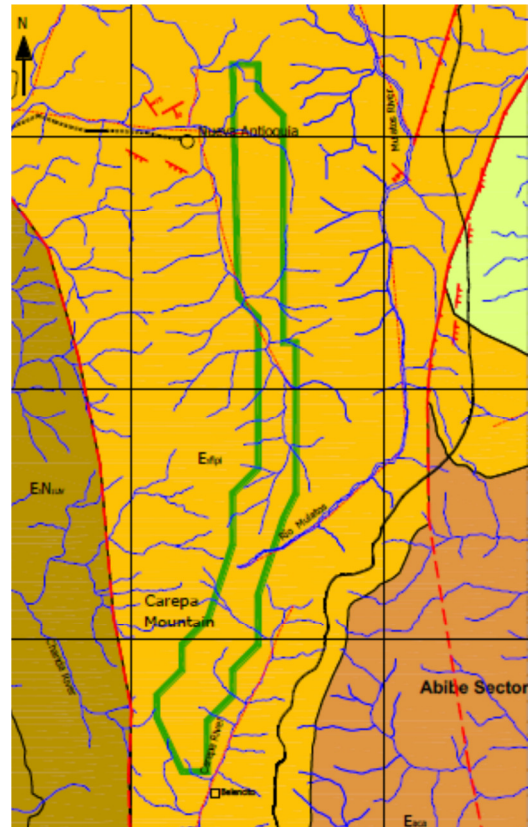
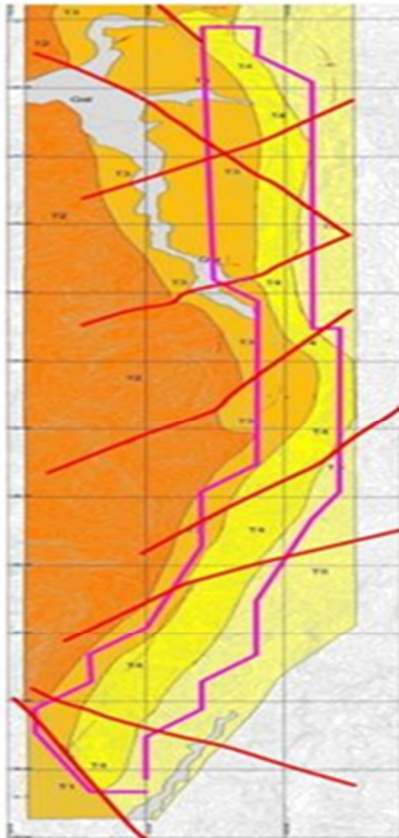
The concession defines a coal-bearing zone that is approximately 21km long and 2.5km wide, and can be accessed via road connecting the Antioquia central region and the Urabá central zone with the ocean.

Coal is hosted in the upper member of the Pavo Formation, which is between 15 million and 20 million years old. The coal was deposited in the lower to middle deltaic zone in conditions similar to those currently active in the lower Magdalena River. Preliminary geological research has identified 16 major coal seams ranging from 0.8 metres to 2.2 metres thick, with a 5 metre thick coal outcrop identified in the southern part of the concession.

Figure 2.1 (below left) shows the general geology of the concession, as depicted in preliminary geological reports of the area. Coal outcrops near the middle part of the yellow area and dips to the East. Geological surveys suggest that the coal-bearing zone is continuous from North to South through the length of the concession. The coal dips to the East at varying degrees between 45° degrees and 70° degrees.

Preliminary assay results from coal surface samples and trenching of weathered outcropping coal indicate a reasonably high rank coal with some elevated Free Swell Indexes, suggesting that the coal has the potential to contain metallurgical qualities.

Figures 2.1 (below left) and 2.2 (below right): Geology of the Uraba Concession



Transportation and logistics

Within 25km of the concession is the small, active Caribbean port of Turbo to which coal could be trucked and exported to established markets in Europe, Brazil and the East coast of the United States of America. The port of Turbo is located in the southern part of the Gulf of Urabá. Turbo is the northern terminus of the main route of the Pan-American Highway in South America. Given the short distance to the port and relatively flat terrain, the Company will investigate the potential to transport coal via a conveyor belt transportation system.

Alternatively coal could be trucked to the existing coal port of Morrosquillo, located 260km away along non-mountainous, relatively flat roads.

Work completed to date

As described above, the acquisition by the Company will provide access to all previous and historical work conducted at the Urabá project site, which includes:

- (a) preliminary surface geology;
- (b) geological field mapping; and

- (c) sample analysis from surface outcropping.

Once the acquisition is complete, subject to obtaining necessary funding and approvals, the Company plans to proceed with exploration drilling.

1.3 Key terms of the acquisition agreements

Conditions precedent

The Hampshire Heads of Agreement is subject to the satisfaction of the following conditions precedent:

- (a) the shareholders of the Company approving the transactions contemplated by the Hampshire Heads of Agreement in a general meeting, including for the purposes of section 208 of the Corporations Act;
- (b) Carbones Spain and the shareholder of CDG entering into the Carbones Golfo Acquisition Agreement; and
- (c) completion of the Carbones Golfo Acquisition Agreement occurring, which in turn will be conditional upon completion of due diligence by the Company on Carbones Golfo's business and operations, including the Urabá Concession.

(together, the **Conditions Precedent**).

If the Conditions Precedent are not satisfied or waived on or before 31 October 2013 or such later date as agreed by the parties, the Hampshire Heads of Agreement (and the Carbones Golfo Acquisition Agreement) will terminate and the acquisition of a 90% interest in Carbones Golfo will not proceed.

Consideration

On completion of the Carbones Golfo Acquisition Agreement, Carbones Spain will pay to the existing shareholder of Carbones Golfo, who will continue to hold 10% of the issued shares in Carbones Golfo, an initial consideration of the lesser of US\$120,000 and the actual costs incurred by the existing shareholder of Carbones Golfo in respect of certain concession maintenance costs and costs associated with the corporate restructuring of Carbones Golfo required to enable the acquisition to proceed (**Initial Consideration**).

Within 6 months of completion of the Hampshire Heads of Agreement (**Completion**) (which will occur at the same time as completion of the Carbones Golfo Acquisition Agreement), Carbones Spain must pay Hampshire Mining an amount of US\$450,000, as reimbursement of the agreed amount of actual direct costs incurred by Hampshire Mining in connection with securing its interest in Carbones Golfo and costs associated with completed geological work to date (eg. surface mapping, geological consultants etc.) (**Deferred Consideration**). If the Company does not pay the Deferred Consideration to Hampshire Mining within 6 months of completion of the acquisition, it must immediately re-transfer all shares it holds in Carbones Golfo to Hampshire Mining for nil consideration.

Payments due to the existing shareholder of Carbones Golfo

In addition to the Initial Consideration payable to the existing shareholder of Carbones Golfo and the Deferred Consideration payable to Hampshire Mining, Carbones Spain has agreed to pay the existing shareholder of Carbones Golfo the following milestone cash payments:

- (a) US\$0.009 per tonne of JORC Compliant indicated and measured resource defined on the Urabá Concession, of which US\$0.004 per tonne is payable within 120 days

of defining the Resource, and US\$0.005 per tonne is payable within 240 days of defining the Resource; and

- (b) US\$0.03 per tonne of JORC Compliant proven and probable reserve defined on the Urabá Concession, of which US\$0.01 per tonne is payable within 12 months of defining the JORC Compliant reserve and US\$0.02 per tonne is payable within 24 months of defining the JORC Compliant reserve.

The existing shareholder of Carbones Golfo will also be free-carried up to the period that is three years following commercial production, at which time the 10% free-carry will be repaid from 50% of the existing shareholder's share of Carbone Golfo's profits.

Effect on Titiribi Agreement

On 10 August 2012 the Company announced that it had entered into a binding heads of agreement with Ascot Equities Pty Ltd (**Ascot Equities**) to acquire 100% of the shares in Carbones Spain (**Titiribi Agreement**), through which it became the beneficial owner of 90% of the Titiribi Project Concessions.

All approvals required from Shareholders for the implementation of the Titiribi Agreement, including approval for the purpose of Item 7 of section 611 of the Corporations Act were obtained at the Company's Annual General Meeting which was held on 28 November 2012 (a copy of the Company's Notice of Annual General Meeting is available on the Company's website at www.ascotresources.com).

The consideration under the Titiribi Agreement involves the payment of up to 73,260,000 Shares to Ascot Equities (**Titiribi Milestone Shares**) upon the satisfaction of four milestones, three of which are dependent on the definition of JORC Compliant coal resources on the "Project Area", as defined in the Titiribi Agreement.

The acquisition of the Urabá Concession will expand the size of the "Project Area" from including only the area covered by the Titiribi Project Concessions to also include the area covered by the Urabá Concession. This increase in the size of the Project Area may increase the likelihood that the milestones will be met and that the consideration on satisfaction of those milestones will become payable.

The relevant milestones are as follows:

Milestone 1	Where, within 12 months of the satisfaction of the conditions precedent under the Titiribi Agreement, the Company successfully defines a JORC Compliant 10Mt inferred resource of coal within the Project Area that meets the minimum specifications below (Minimum Specifications), the Company will issue to Ascot Equities, 9,500,000 Shares. The "Minimum Specifications" means coal that has the following minimum characteristics (on an as received basis): (a) >5500kcal/kg; (b) <15% ash; and (c) <1% sulphur, except as otherwise agreed to by the Company.
Milestone 2	Where, within 18 months of the satisfaction of the conditions precedent under the Titiribi Agreement, the Company successfully defines a JORC Compliant 20Mt inferred resource of coal within the Project Area that meets the Minimum Specifications, the Company will issue to Ascot Equities, 10,000,000 Shares.
Milestone 4	Where, within 24 months of the satisfaction of the conditions precedent under the Titiribi Agreement, the Company successfully defines a JORC Compliant 20Mt measured resource of coal within the Project Area that meets the Minimum Specifications, the Company will issue to Ascot Equities, 31,260,000 Shares.

Note: Milestone 3 is not affected by the proposed acquisition of 90% of Carbones Golfo.

1.4 Advantages of the Urabá Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the Urabá Transaction will reduce risk in the Company's operating profile through increased project diversity and exposure;
- (b) the Urabá Transaction represents a significant opportunity for the Company to increase the scale of its activities in Colombia which may increase the number and size of the investor pool willing to invest in the Company's Shares;
- (c) the acquisition of an interest in an existing Colombian company will enable the Company to avoid the start-up costs of establishing a new company in Colombia; and
- (d) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Urabá Transaction.

1.5 Potential disadvantages of the Urabá Transaction

The Directors are of the view that the following non-exhaustive list of potential disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the Company will be further changing the focus of the nature and scale of its coal exploration activities in Colombia, which may not be consistent with the objectives of all Shareholders;
- (b) the acquisition of the Urabá Concession may result in the issue of Shares to Ascot Equities which would have a dilutionary effect on the holdings of Shareholders;
- (c) exploration activities on the Urabá Concession may not identify an economically viable coal resource;
- (d) significant future outlays of funds will be required in the form of exploration commitments; and
- (e) risk factors associated with the further change in nature of the Company's activities associated with the Urabá Concession. Some of these risks are summarised in Section 1.6 below.

1.6 Risk factors

- (a) Risks relating to operating a project in Colombia

Colombian law provides that the government owns all subsoil and non-renewable natural resources in Colombia and Colombian mining concessions do not grant the holder any surface rights. The holder of a mining concession can come to an agreement with surface rights holders for the purpose of conducting mining operations, which may include the payment of remuneration or compensation. If such agreement cannot be reached, Colombian law provides for mandatory easements over land to ensure the efficient exploration and exploitation of legal mining titles and further provides authority to impose appropriate easements as necessary both within and external to the area the subject of a Colombian mining concession.

The holders of the Urabá Concession have been granted the rights to complete exploration on Urabá Concession. However, should mining operations commence on the Urabá Concession in the future, additional negotiations in relation to surface

rights will be required. There is no assurance that these surface rights will be obtained or if they are obtained, that they will be obtained on reasonable terms.

Failure to obtain surface rights would adversely affect the ability to mine on the Urabá Concession.

(b) Project specific risks

As at the date of this notice of meeting, the Company had not completed its due diligence investigations on Carbones Golfo's business and operations, including technical due diligence on the Urabá Concession itself. However, the Company anticipates the project specific risks associated with the successful exploration and development of the Urabá Concession include:

- (i) the inherent uncertainty of there being economically recoverable reserves as result of many factors, including the potential for:
 - (A) the coal stratification being limited to the northern and southern portion of the concession;
 - (B) environmental, permitting and operational issues caused by the existence of a river flowing through the middle of the concession; and
 - (A) the existence and position of major faults surround coal prospective portions of the concession;
- (ii) risks associated with successfully obtaining consents and approvals necessary for the conduct of coal exploration, development and production;
- (iii) access to, and capital costs of, infrastructure required to get product mined to market, including access to port infrastructure;
- (iv) risks associated with operating in the Gulf of Urabá region, which is understood to be a relatively poor area of Colombia with complex social and security related issues, which may increase the costs of development and hinder or ultimately prevent economic development of the Urabá Concession;

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of coal. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(c) Environmental risks

The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the coal industry, which operations the Company currently proposes to be in Colombia. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

(d) Other risks

A non-exhaustive list of other risk factors including those associated with investing Colombia, such as the risks of investing in an emerging market, expropriation and nationalism risks, physical infrastructure risks, risks associated with the Colombian economy, political system, tax system and legal system, and more general risks such as commodity price volatility and exchange rate risks, competition, additional requirements for capital, market conditions and reliance on key management, are set out in the Company's Notice of Annual General Meeting for the meeting held on 28 November 2012, a copy of which is available on the Company's website at www.ascotresources.com.

1.7 Approval for the Directors to complete the Urabá Transaction for the purpose of section 195(4) of the Corporations Act

Approval for the purposes of section 195(4) of the Corporations Act is required because two of the Company's three Directors have a "material personal interest" in the Urabá Transaction and are therefore ineligible to vote pursuant to section 191 of the Corporations Act. The effect of this is that a quorum of two independent Directors, as required by Article 15.3 of the Company's constitution, cannot be formed to approve the Urabá Transaction. In the absence of a quorum of Directors, Shareholder approval is required to authorise the Directors to complete the Urabá Transaction.

Section 195(1) of the Corporations Act provides that a director who has a "material personal interest" in a matter being considered at a director's meeting must not be present while the matter is being considered or vote on the matter. Section 195(4) of the Corporations Act provides that where there are insufficient directors to form a quorum at a directors' meeting because of section 195(1), the directors can call a general meeting of shareholders to consider the matter.

Two of the three Directors have a material interest in the Urabá Transaction, as follows:

- (a) Mr Paul Kopejtko has a material personal interest in the Urabá Transaction by virtue of his position as a director and controlling shareholder of Hampshire Mining and of Ascot Equities, the potential recipient of the Titiribi Milestone Shares (see Section 1.3, above); and
- (b) Mr Andrew Caruso has a material personal interest in the Urabá Transaction because the vesting conditions of his Executive Incentives are potentially more likely to be satisfied if Completion occurs. Refer to Section 2 below for more detail.

The Directors are unable to form a quorum to consider any matters relating to the Urabá Transaction. Therefore, the Company is seeking approval under section 195(4) to deal with the matter.

1.8 Approval of the Urabá Transaction for the purpose of section 208 of the Corporations Act

Section 208 approval is required in respect of the Urabá Transaction because Hampshire Mining, a Related Party of the Company, is receiving a financial benefit from the Urabá Transaction.

Chapter 2E of the Corporations Act

The Corporations Act requires that, where a public company proposes to give a financial benefit to a Related Party, the public company must:

- (a) obtain the approval of the company's members in accordance with section 208 of the Corporations Act in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Urabá Transaction will have the effect of giving a financial benefit to a Related Party pursuant to the Corporations Act. The Company has not considered whether an exception in sections 210 to 216 of the Corporations Act is applicable. Instead, Shareholder approval is sought for the purposes of section 208 of the Corporations Act for entry into the Urabá Transaction.

Corporations Act information requirements

Section 219 of the Corporations Act (including ASIC Regulatory Guide 76) require that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for entry into the Urabá Transaction.

- (a) Hampshire Mining is a Related Party of the Company on the following basis:
 - (i) Mr Paul Kopejtka, as a Director, is a Related Party of the Company;
 - (ii) Mr Joseph van den Elsen, a former Director who resigned within the last 6 months, is a Related Party of the Company; and
 - (iii) Hampshire Mining is a company controlled by Mr Paul Kopejtka and Mr Joseph van den Elsen and is therefore also a Related Party of the Company.
- (b) The financial benefit that will be given to Hampshire Mining if Resolution 1 is approved is the consideration set out in Section 1.3, above.
- (c) Two of the three Directors of the Company, being Mr Paul Kopejtka and Mr Andrew Caruso have a material personal interest in the Urabá Transaction, as set out in Section 1.7 above. These Directors were unavailable to participate in the Board's deliberations in relation to Resolution 1 and decline to make a recommendation to Shareholders about Resolution 1. The recommendation of the sole non-conflicted Director, Mr Francis De Souza, is in Section 1.11 below.
- (d) Other than as disclosed in this Explanatory Statement (including as set out in the Independent Expert's Report), the Directors do not consider that from an economic and commercial perspective, there are any costs or detriments of any significance (including opportunity or taxation costs) for the Company or benefits foregone by the Company in entering the Urabá Transaction.
- (e) Other than as disclosed in this Explanatory Statement (including as set out in the Independent Expert's Report), the Directors are not aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's best interests to pass the proposed Resolution and which is known to the Company or to any of its Directors.

1.9 Approval of the Urabá Transaction for the purpose of Listing Rule 10.1

Hampshire Mining is a Related Party of the Company on the following basis:

- (a) Mr Paul Kopejtka, as a Director, is a Related Party of the Company;

- (b) Mr Joseph van den Elsen, a former Director who resigned within the last 6 months, is a Related Party of the Company; and
- (c) Hampshire Mining is a company controlled by Mr Paul Kopejtka and Mr Joseph van den Elsen and is therefore also a Related Party of the Company.

Listing Rule 10.1 requires Shareholder approval to be obtained where the listed company (or a subsidiary of the listed company) intends to acquire a substantial asset from, or dispose of a substantial asset to, a Related Party. The Directors consider that the acquisition of the right to acquire 90% of the issued shares in Carbones Golfo, a company, that holds 100% of the Urabá Concession, is a substantial asset.

Independent Expert's Report

In accordance with the requirements of Listing Rule 10.10.2, the Company has commissioned RSM Bird Cameron Corporate Pty Ltd to provide an independent expert's report on the Urabá Transaction (**Independent Expert's Report**). The Independent Expert's Report sets out a detailed examination of the Urabá Transaction to enable Shareholders to assess the merits of, and decide whether to approve, the Urabá Transaction.

To the extent that it is appropriate, the Independent Expert's Report sets out further information in respect of the Urabá Transaction and concludes that, on balance, the Urabá Transaction is fair and reasonable to the Shareholders whose votes are not to be disregarded.

Shareholders are urged to read carefully the Independent Expert's Report to understand its scope, the methodology of the assessment, the sources of information and the assumptions made.

The Independent Expert's Report forms **Annexure 1** to this Explanatory Statement. If you require an additional hard copy of the Independent Expert's Report, please contact the Company.

1.10 What if Resolution 1 is not approved by Shareholders?

It is a condition precedent under the Hampshire Heads of Agreement that the Urabá Transaction is approved by Shareholders. The approvals required include those contemplated by Resolution 1. If the relevant conditions precedent are not satisfied, then the Company will not proceed with the Urabá Transaction.

In addition, the approval of Resolution 2 is dependent on the approval of Resolution 1 and so failure to approve Resolution 1 will cause the failure of Resolution 2.

1.11 Director's recommendation

The sole non-conflicted Director, Mr Francis De Souza, considers that the Urabá Transaction's advantages as set out more fully in Section 1.4 above, including operational synergies, increased potential to raise funds by way of equity capital raisings, reduced risk through project diversity and community exposure, increased scale of the Company's activities and reduced start-up costs and bureaucratic delays enjoyed due to the indirect nature of the acquisition, mean that the Urabá Concession would be strongly positive for the Company.

Mr Francis De Souza recommends that all Shareholders vote in favour of Resolution 1.

As explained above, Messrs Paul Kopejtka and Andrew Caruso each have a material personal interest in the Urabá Transaction and accordingly do not consider it appropriate that they make a recommendation to Shareholders in relation to the Urabá Transaction.

2. Resolution 2 – Approval of financial benefit to Mr Andrew Caruso

Section 208 approval is required in respect of the Urabá Transaction because Mr Andrew Caruso, a Director and Related Party of the Company, is receiving a financial benefit from the Urabá Transaction. The financial benefit that Mr Caruso may receive is an increased likelihood that the agreed performance and retention conditions (**Vesting Conditions**) attaching to Mr Caruso's 16,500,000 Executive Incentives will be satisfied, resulting in the vesting of those Executive Incentives.

2.1 Chapter 2E of the Corporations Act

The Corporations Act requires that, where a public company proposes to give a financial benefit to a Related Party, the public company must:

- (a) obtain the approval of the company's members in accordance with section 208 of the Corporations Act in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Urabá Transaction will have the effect of giving a financial benefit to a Related Party pursuant to the Corporations Act. The Company has not considered whether an exception in sections 210 to 216 of the Corporations Act is applicable. Instead, Shareholder approval is sought for the purposes of section 208 of the Corporations Act for entry into the Urabá Transaction.

2.2 Corporations Act information requirements

Section 219 of the Corporations Act (including ASIC Regulatory Guide 76) require that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for entry into the Urabá Transaction.

- (a) Mr Caruso is a Related Party of the Company on the basis that he is a Director of the Company.
- (b) The financial benefit that will be given to Mr Caruso if Resolution 2 is approved is an increased likelihood that the Vesting Conditions attaching to Mr Caruso's 16,500,000 Executive Incentives will be satisfied, resulting in the vesting of those Executive Incentives.

The reason why the passing of Resolution 2 will increase the likelihood of the Vesting Conditions being satisfied is that they are partially dependent on the definition of JORC Compliant coal resources on the "Project Area", as defined in the Titiribi Agreement. The acquisition of the Urabá Concession will expand the size of the "Project Area" from including only the area covered by the Titiribi Project Concessions to also include the area covered by the Urabá Concession.

The Vesting Conditions include five milestones, of which three are dependent on the definition of JORC Compliant coal resources on the "Project Area". Those three milestones and the number of Executive Incentives that will vest on their satisfaction is set out below:

Milestone 1	Where, prior to 27 February 2014, the Company successfully defines a JORC Compliant 10Mt inferred resource of coal within the Project Area that meets the minimum specifications below (Minimum Specifications), 1,500,000 Executive Incentives will vest.
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	The "Minimum Specifications" means coal that has the following minimum characteristics (on an as received basis): (a) >5500kcal/kg; (b) <15% ash; and (c) <1% sulphur, except as otherwise agreed to by the Company.
Milestone 2	Where, prior to 27 August 2014, the Company successfully defines a JORC Compliant 20Mt inferred resource of coal within the Project Area that meets the Minimum Specifications, 1,500,000 Executive Incentives will vest.
Milestone 4	Where, prior to 27 February 2015, the Company successfully defines a JORC Compliant 20Mt measured resource of coal within the Project Area that meets the Minimum Specifications, 7,500,000 Executive Incentives will vest.

Note: Milestone 3 is not affected by the proposed acquisition of 90% of Carbones Golfo.

The grant of Mr Caruso's 16,500,000 Executive Incentives was approved by Shareholders for the purposes of Listing Rule 10.11 at the Company's general meeting held on 4 July 2013. The approval of Resolution 2 will not increase the number of Executive Incentives held by Mr Caruso nor result in additional Executive Incentives being granted to Mr Caruso. Rather, the approval of Resolution 2 is sought because the Urabá Transaction, if approved pursuant to Resolution 1, may increase the likelihood of Mr Caruso's existing Executive Incentives vesting.

The Company notes that the issue of Shares on the vesting of Executive Incentives will not increase the number of Shares that would otherwise have been on issue and will therefore not result in the dilution of any Shareholders. This is because any Shares issued to Mr Caruso on the vesting of Executive Incentives will cause a commensurate decrease in the number of Titiribi Milestone Shares which Ascot Equities would otherwise be entitled to receive as deferred consideration for the Company's acquisition of the Titiribi Project Concessions upon satisfaction of the project milestones as set out in Section 1.3 above.

Due to the fact that any Shares issued on the vesting of Executive Incentives would have otherwise been issued to Ascot Equities, the grant and vesting of the Executive Incentives can also be seen to be a cost effective incentive structure.

At the time of agreeing to grant the Executive Incentives, the Board considers it was dealing with Mr Caruso at arms' length and that the grant of the Executive Incentives was necessary to secure the services of someone of Mr Caruso's calibre. For this reason, approval for the purposes of Chapter 2E of the Corporations Act was not previously required. However, the Board considers that the increase in likelihood of the Executive Incentives vesting and the fact that Mr Caruso is now a Director necessitates Shareholder approval for the purposes of section 208 of the Corporations Act.

The terms of the Executive Incentives are set out in Schedule 1 to the Company's Notice of Extraordinary General Meeting for the meeting held on 4 July 2013, which is available on the Company's website at www.ascotresources.com.

- (c) Mr Caruso has a material personal interest in the approval of Resolution 2. He was consequently unavailable to participate in the Board's deliberations in relation to Resolution 2 and declines to make a recommendation to Shareholders about Resolution 2. The recommendations of the non-conflicted Directors is set out in Section 2.4 below.
- (d) Other than as disclosed in this Explanatory Statement (including as set out in the Independent Expert's Report), the Directors do not consider that from an economic and commercial perspective, there are any costs or detriments of any significance

(including opportunity or taxation costs) for the Company or benefits foregone by the Company in approving Resolution 2.

- (e) Other than as disclosed in this Explanatory Statement (including as set out in the Independent Expert's Report), the Directors are not aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's best interests to pass the Resolution 2 and which is known to the Company or to any of its Directors.

2.3 What if Resolution 2 is not approved by Shareholders?

It is a condition precedent under the Hampshire Heads of Agreement that the Urabá Transaction is approved by Shareholders. The approvals required include that contemplated by Resolution 2. If the relevant conditions precedent are not satisfied, then the Company will not proceed with the Urabá Transaction.

In addition, the approval of Resolution 1 is dependent on the approval of Resolution 2 and so failure to approve Resolution 2 will cause the failure of Resolution 1.

2.4 Directors' recommendation

The two Directors of the Company that do not have a material personal interest in Resolution 2, being Messrs Paul Kopejtka and Francis De Souza, consider that the advantage of passing Resolution 2 to approve the conferral of a financial benefit on Mr Caruso, being the facilitation of the implementation of the Urabá Transaction (and all of its attendant benefits as set out in Section 1 above) would be strongly positive for the Company.

Messrs Paul Kopejtka and Francis De Souza recommend that all Shareholders vote in favour of Resolution 2.

3. Resolutions 3 and 4 – Approvals to convert Kopejtka Loan Note and issue Shares in lieu of interest

3.1 Background

Resolutions 3 and 4 seek Shareholder approval for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act to:

- (a) issue Shares to Jesson Pty Ltd as trustee for the Kopejtka Superannuation Fund (**Jesson**) on the conversion to Shares of the outstanding balance of funds owed by the Company under the Kopejtka Loan Note; and
- (b) issue Shares to Jesson in lieu of interest payments under the Kopejtka Loan Note.

The material terms of the Kopejtka Loan Note are as follows:

- (a) The principal sum borrowed is \$650,000 (**Subscription Sum**).
- (b) The Kopejtka Loan Note is unsecured and is repayable in full on the earlier of:
 - (i) 17 July 2014 (**Maturity Date**), being the date that is one year after the date of completion under the Kopejtka Loan Note;
 - (ii) a date prior to the Maturity Date on which it is redeemed by the Company or converted into Shares; and
 - (iii) a date on which there is an event of default under the Kopejtka Loan Note where Jesson issues a notice requiring the full amount to be repaid.

- (c) Interest is payable at a rate of 14% per annum, payable quarterly in arrears (each, an **Interest Payment Date**).
- (d) Subject to Shareholder approval being obtained (being the subject of Resolution 4), interest may be paid by the Company, at the option of Jesson, by issuing to Jesson the number of Shares determined by dividing the amount of interest payable by the higher of \$0.03 and a Share price determined by applying a 5% discount to the 10 day VWAP of Shares prior to the relevant Interest Payment Date.
- (e) Default interest at a rate of 16% per annum capitalised monthly, is payable on all amounts due and payable but unpaid.
- (f) Subject to Shareholder approval being obtained (being the subject of Resolution 3), Jesson has the right (but not the obligation) to convert any or all of the Subscription Sum of the Kopejtka Loan Note into Shares at a conversion price of \$0.18 per Share.
- (g) The Kopejtka Loan Note, including the Subscription Sum together with any accrued by unpaid interest, is redeemable by the Company at any time or after 17 September 2013 but not later than 20 days prior to the Maturity Date.
- (h) Neither party may transfer its rights under the Kopejtka Loan Note.
- (i) The Company has provided a number of warranties in favour of Jesson under the Kopejtka Loan Note which are commonly seen in unsecured loan notes of this nature, including undertakings to not, without the prior approval of Jesson:
 - (i) sell, assign, transfer or otherwise dispose of any of its assets except in the ordinary course of ordinary business;
 - (ii) create or allow to exist or agree to any encumbrance over any of its assets (other than liens created by operation of law or in respect of retention of title, unpaid balances of purchase money or money owed for repairs, or a right of set-off);
 - (iii) pay or make or declare any dividend or other distribution; or
 - (iv) purchase or pass a resolution to buy back Shares or reduce or return its Share capital.
- (j) Jesson is entitled to participate in any pro rata offer of Shares or other Securities of the Company that the Company makes as if it had converted the Subscription Sum outstanding immediately prior to the record date for the pro rata offer.
- (k) The table below sets out the indicative number of Shares which Jesson may acquire in the Company (on the basis of the assumptions set out in the notes to that table) if the Kopejtka Loan Note is converted by Jesson into Shares and interest payments are made by the issuing of Shares. The actual number of Shares is likely to vary from that indicated below, based on the application of the terms of the Kopejtka Loan Note. In addition, the actual number of Shares that may be issued in lieu of interest payments will ultimately depend on the prevailing market price of Shares at the time of issue and the table sets out the number of Shares that would be issued at different prices:

		Number of Shares issued to Jesson	Total Shares on issue	Jesson's percentage shareholding (undiluted)	Jesson's percentage shareholding (fully diluted) ¹
Maximum number of Shares issued to Jesson upon conversion of the Note ²		3,611,112	42,601,106	8.48%	3.00%
Number of shares to be issued to Jesson if Jesson chooses to satisfy all interest by the issue of Shares ³	Issue price of \$0.0540 per Share ⁴	1,685,697	40,675,691	4.14%	1.42%
	Issue price of \$0.0300 per Share ⁵	3,033,334	42,023,328	7.22%	2.53%
	Issue price of \$0.0810 per Share ⁶	1,123,798	40,113,792	2.80%	0.95%

Notes:

1. Assumes that all Options currently on issue are exercised into Shares. Also assumes all of the conditions to the issue of deferred consideration for the Company's acquisition of the Titiribi Coal Project, and the vesting of the Executive Incentives, have been satisfied and that the Shares the subject of that deferred consideration and/or Executive Incentives have been issued. For the purposes of the calculations in the table, it has been assumed that the Company will not issue any other Shares, Options, performance rights or other rights to acquire Shares prior to the maturity of the Kopejtka Loan Note, including by way of other loan notes issued by the Company being converted by their respective holders.
2. Assumes that all of the principal of the Kopejtka Loan Note is converted by Jesson into Shares at a conversion price of \$0.18 per Share. However, Shareholders should be aware that as at 9 September 2013, being the last practicable date prior to the date of finalising this Explanatory Statement, the Share price is below the conversion price. If the Share price continues to be below the conversion price of the Kopejtka Loan Note, it is not expected that the Kopejtka Loan Note would be converted into Shares. For the purposes of providing an indication of Jesson's undiluted percentage interest in the Company upon conversion of the Kopejtka Loan Note, it has been assumed that no Shares are issued in lieu of interest payable on the Kopejtka Loan Note (as the impact of Shares issued in lieu of interest payments is depicted separately in the table).
3. Assumes that the Kopejtka Loan Note is not converted or repaid prior to its Maturity Date and that Jesson elects to receive all interest accruing by way of the issue of Shares. The maximum amount of interest payable is \$91,000. The issue price of Shares issued in lieu of interest payments will be the higher of \$0.03 per Share and the price calculated by applying a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to the date on which the interest payment is due. Accordingly, the relevant issue price (and therefore the number of Shares to be issued) may vary. For the purposes of providing an indication of Jesson's undiluted percentage interest in the Company should Shares be issued in lieu of cash interest payments, it has been assumed that the Kopejtka Loan Note is not converted into Shares (as the impact of Shares issued upon conversion of the Note is depicted separately in the table).
4. The issue price of \$0.0540 per Share is a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to 9 September 2013, the last practicable date prior to the date of finalising this Explanatory Statement.
5. The issue price of \$0.03 per Share represents the lowest price that Shares will be issued in lieu of interest payments. It represents a 54% decrease to the price at which Shares traded on ASX prior to 9 September 2013, the last practicable date prior to the date of finalising this Explanatory Statement.
6. The issue price of \$0.0810 per Share represents a 50% increase in the price calculated as a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to 9 September 2013, the last practicable date prior to the date of finalising this Explanatory Statement.

(l) The terms and conditions of the Kopejtka Loan Note are more fully set out in **Annexure A** to this Explanatory Statement.

3.2 Regulatory requirements

Listing Rule 10.11

Listing Rule 10.11 requires Shareholder approval to be obtained where the listed company issues, or agrees to issue, securities to a Related Party of the company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Chapter 2E of the Corporations Act

The Corporations Act requires that, where a public company proposes to give a financial benefit to a Related Party, the public company must:

- (a) obtain the approval of the company’s members in accordance with section 208 of the Corporations Act in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Shares to Jesson pursuant to the Kopejtka Loan Note constitutes the giving of a financial benefit to a Related Party pursuant to the Corporations Act. Shareholder approval is sought for the purposes of section 208 of the Corporations Act for the issue of Shares to Jesson pursuant to the Kopejtka Loan Note.

3.3 Listing Rules and Corporations Act information requirements

In accordance with the requirements of Listing Rule 10.13 and Chapter 2E of the Corporations Act, and in particular with section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to the Shareholders in relation to Resolutions 3 and 4:

Regulatory requirement	Resolution 3 – Grant of right to convert Kopejtka Loan Note into Shares	Resolution 4 – Issue of Shares in lieu of interest
Listing Rule 10.13 – name of person receiving the securities. Section 219(1)(a) – the related parties to whom the proposed resolution permits financial benefits to be given	The Note was issued to Jesson. Shares issued on conversion of the Note will be issued to Jesson.	Jesson.
Listing Rule 10.13.2 – maximum number of securities to be issued	If Resolution 4 is approved, the Note will become an equity security. The Note will be convertible into a maximum of 3,611,112 Shares.	The number of Shares which may be issued depends upon prevailing Share price at the time Jesson exercises its rights to have interest payments satisfied by way of the issue of Shares. Any Shares will be issued at a 5% discount to the 10 day VWAP prior to the date for payment of interest.

<p>Listing Rule 10.13.3 – date by which securities will be issued</p>	<p>The Note was issued on 17 July 2013 and is a debt security. If Resolution 3 is approved, the Note will be converted into an equity security for the purposes of the Listing Rules at the time of the approval being obtained.</p>	<p>Interest is payable quarterly in arrears over the term of the Note, with the first interest payment due on 30 September 2013, and subsequent payments due at the end of each quarter until the final payment on the Maturity Date.</p> <p>The Company has been granted a waiver by ASX of Listing Rule 10.13.3 extending the period in which the Shares the subject of Resolution 4 must be issued from the usual 1 month period to a period ending one week after the Maturity Date, being 24 July 2014.</p>
<p>Listing Rule 10.13.4 – if the person is not a director, the relationship that requires approval to be obtained</p>	<p>Jesson is a Related Party of the Company on the basis that Mr Paul Kopejtka, a Director and Shareholder of the Company is a director and shareholder of Jesson Pty Ltd.</p>	<p>Jesson is a Related Party of the Company on the basis that Mr Paul Kopejtka, a Director and Shareholder of the Company is a director and shareholder of Jesson Pty Ltd.</p>
<p>Listing Rule 10.13.5 – issue price and terms of issue</p>	<p>The issue price of the Note is \$650,000. The Note may be converted into Shares at a conversion price of \$0.18 per Share. The key terms of the Note are set out in Section 3.1 above. Shares issued on the conversion of the Note will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue at the time.</p>	<p>Shares will be issued at the higher of \$0.03 per Share and the price calculated by applying a 5% discount to the 10 day VWAP prior to the date for payment of interest.</p> <p>Shares issued to satisfy interest payments will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue at the time.</p>
<p>Listing Rule 10.13.6 – voting exclusion statement</p>	<p>A voting exclusion statement is included in the Notice of Meeting.</p>	<p>A voting exclusion statement is included in the Notice of Meeting.</p>
<p>10.13.6A – intended use of funds raised</p>	<p>Funds raised from the issue of the Note are being used for general working capital purposes.</p>	<p>No funds will be raised from the issue of these Shares.</p>
<p>Section 219(1)(b) – the nature of the financial benefits</p>	<p>The financial benefit that will be given to Jesson if Resolution 3 is approved is the potential issue of Shares on the conversion of the Kopejtka Loan Note as set out in Section 3.1 above.</p>	<p>The financial benefit that will be given to Jesson if Resolution 3 is approved is the potential issue of Shares in lieu of interest payments under the Kopejtka Loan Note as set out in Section 3.1 above.</p>
<p>Sections 219(1)(c) and (d) – directors' recommendations about the proposed resolution; if a director is not available to make a recommendation, why not and whether that director has an interest in the resolution and if so, what it is</p>	<p>Mr Kopejtka is a beneficiary of the Kopejtka Superannuation Fund (of which Jesson is the trustee) and therefore has a material personal interest in the approval of Resolution 3. He was consequently unavailable to participate in the Board's deliberations in relation to Resolution 3 and declines to make a recommendation to Shareholders about Resolution 3.</p> <p>The recommendations of the non-conflicted Directors, being Messrs Andrew Caruso and Francis De Souza are in Section 3.5 below.</p>	<p>Mr Kopejtka is a beneficiary of the Kopejtka Superannuation Fund (of which Jesson is the trustee) and therefore has a material personal interest in the approval of Resolution 4. He was consequently unavailable to participate in the Board's deliberations in relation to Resolution 4 and declines to make a recommendation to Shareholders about Resolution 4.</p> <p>The recommendations of the non-conflicted Directors, being Messrs Andrew Caruso and Francis De Souza are in Section 3.5 below.</p>

<p>Section 219(1)(e) – all other information that is reasonably required by members to decide whether or not to pass the resolution and which is known to the directors</p>	<p>Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial perspective, there are any costs or detriments of any significance (including opportunity or taxation costs) for the Company or benefits foregone by the Company in approving Resolution 3.</p> <p>Other than as disclosed in this Explanatory Statement, the Directors are not aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's best interests to pass the Resolution 3 and which is known to the Company or to any of its Directors</p>	<p>Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial perspective, there are any costs or detriments of any significance (including opportunity or taxation costs) for the Company or benefits foregone by the Company in approving Resolution 4.</p> <p>Other than as disclosed in this Explanatory Statement, the Directors are not aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's best interests to pass the Resolution 4 and which is known to the Company or to any of its Directors</p>
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3.4 What if Resolution 3 or Resolution 4 is not approved by Shareholders?

It is a requirement under the Kopejtka Loan Note that the Company use its best endeavours to obtain the shareholder approvals necessary to issue Shares to Jesson under that agreement. If Resolution 3 is not approved by Shareholders then the Kopejtka Loan Note will not be convertible into Shares. If Resolution 4 is not approved then interest payments under the Kopejtka Loan Note will not be able to be paid by way of Shares. Amounts not convertible into Shares will have to be repaid by the Company in cash. The Company considers that this could, depending on fluctuations in the Share price, materially decrease the amount of working capital available to the Company and may materially affect the Company's ability to seek further funding.

3.5 Directors' recommendation

Each of the non-conflicted Directors, being Messrs Andrew Caruso and Francis De Souza considers that approving the conversion of the Kopejtka Loan Note and of interest payments under it, will benefit the Company by enabling it to retain working capital and by preserving its ability to seek further funding by way of convertible loan agreements.

Each of the non-conflicted Directors recommends Shareholders vote in favour of Resolutions 3 and 4.

4. Resolutions 5 and 6 – Approvals to convert Sedgman Loan Note and issue Shares in lieu of interest

4.1 Background

Resolutions 5 and 6 seek Shareholder approval for the purpose of Listing Rule 7.1 to:

- (a) issue Shares to Sedgman Limited on the conversion to Shares of the outstanding balance of funds owed by the Company under the Sedgman Loan Note; and
- (b) issue Shares to Sedgman Limited in lieu of interest payments under the Sedgman Loan Note.

The material terms of the Sedgman Loan Note are as follows:

- (a) The principal sum borrowed is \$500,000 (**Subscription Sum**).
- (b) The Company has issued to Sedgman Limited 376,538 Shares at an issue price of \$0.5975 per Share in payment of an establishment fee of \$22,500.
- (c) The Sedgman Loan Note is unsecured and is repayable in full on the earlier of:

- (i) 26 August 2015 (**Maturity Date**), being the date that is two years after the date of completion under the Sedgman Loan Note;
 - (ii) a date prior to the Maturity Date on which it is redeemed by the Company or converted into Shares; and
 - (iii) a date on which there is an event of default under the Sedgman Loan Note where Sedgman Limited issues a notice requiring the full amount to be repaid.
- (d) Interest is payable at a rate of 14% per annum, payable quarterly in arrears (each, an **Interest Payment Date**).
- (e) Subject to Shareholder approval being obtained (being the subject of Resolution 6), interest may be paid by the Company, at the Company's election, by issuing to Sedgman Limited the number of Shares determined by dividing the amount of interest payable by a Share price determined by applying a 5% discount to the 10 day VWAP of Shares prior to the relevant Interest Payment Date.
- (f) Default interest at a rate of 16% per annum capitalised monthly, is payable on all amounts due and payable but unpaid.
- (g) Subject to Shareholder approval being obtained (being the subject of Resolution 5), Sedgman Limited has the right (but not the obligation) to convert any or all of the Subscription Sum of the Sedgman Loan Note into Shares at a conversion price of \$0.18 per Share.
- (h) The Sedgman Loan Note, including the Subscription Sum together with any accrued by unpaid interest, is redeemable by the Company at any time or after 26 February 2014 but not later than 21 days prior to the Maturity Date.
- (i) Sedgman may transfer its rights under the Sedgman Loan Note to a related body corporate (as defined in the Corporations Act) or otherwise to any other party with the prior consent of the Company.
- (j) The Company has provided a number of warranties in favour of Sedgman Limited under the Sedgman Loan Note which are commonly seen in unsecured loan notes of this nature, including undertakings to not, without the prior approval of Sedgman Limited:
- (i) incur any financial indebtedness in excess of \$250,000 other than in the ordinary course of business;
 - (ii) sell, assign, transfer or otherwise dispose of any of its assets except in the ordinary course of ordinary business;
 - (iii) create or allow to exist or agree to any encumbrance over any of its assets (other than liens created by operation of law or in respect of retention of title, unpaid balances of purchase money or money owed for repairs, or a right of set-off);
 - (iv) pay or make or declare any dividend or other distribution; or
 - (v) purchase or pass a resolution to buy back Shares or reduce or return its Share capital.
- (k) Sedgman Limited is entitled to participate in any pro rata offer of Shares or other Securities of the Company that the Company makes as if it had converted the

Subscription Sum outstanding immediately prior to the record date for the pro rata offer.

- (l) The table below sets out the indicative number of Shares which Sedgman Limited may acquire in the Company (on the basis of the assumptions set out in the notes to that table) if the Sedgman Loan Note is converted by Sedgman Limited into Shares and interest payments are made by the issuing of Shares. The actual number of Shares is likely to vary from that indicated below, based on the application of the terms of the Sedgman Loan Note. In addition, the actual number of Shares that may be issued in lieu of interest payments will ultimately depend on the prevailing market price of Shares at the time of issue and the table sets out the number of Shares that would be issued at different prices:

		Number of Shares issued to Sedgman Limited	Total Shares on issue	Sedgman Limited's percentage shareholding (undiluted)	Sedgman Limited's percentage shareholding (fully diluted) ¹
Shares currently held by Sedgman Limited ²		5,376,538	38,989,994	13.79%	4.61%
Maximum number of Shares issued to Sedgman Limited upon conversion of the Note ³		2,777,778	41,767,772	6.65%	2.32%
Number of shares to be issued to Sedgman Limited if the Company chooses to satisfy all interest by the issue of Shares ⁴	Issue price of \$0.0544 per Share ⁵	2,593,380	41,583,374	6.24%	2.17%
	Issue price of \$0.0270 per Share ⁶	5,186,760	44,176,754	11.74%	4.25%
	Issue price of \$0.0810 ⁷ per Share ⁶	1,728,920	40,718,914	4.25%	1.46%

Notes:

- Assumes that all Options currently on issue are exercised into Shares. Also assumes all of the conditions to the issue of deferred consideration for the Company's acquisition of the Titiribi Coal Project, and the vesting of the Executive Incentives, have been satisfied and that the Shares the subject of that deferred consideration and/or Executive Incentives have been issued. For the purposes of the calculations in the table, it has been assumed that the Company will not issue any other Shares, Options, performance rights or other rights to acquire Shares prior to the maturity of the Sedgman Loan Note, including by way of other loan notes issued by the Company being converted by their respective holders.
- Under the Sedgman Funding Agreement, Sedgman was issued 5,000,000 Shares at \$0.10 by way of a share placement and a further 376,538 Shares were issued at a price of \$0.5975 per Share, being a 5% discount to the 10 day VWAP calculated on the 10 days on which Shares traded on ASX prior to 19 July 2013, in payment of the \$22,500 establishment fee payable under the Sedgman Funding Agreement. The issue of these Shares was conducted using the placement capacity of Company pursuant to Resolution 4 passed at the Company's Extraordinary General Meeting held on 4 July 2013.
- Assumes that all of the principal of the Sedgman Loan Note is converted by Sedgman Limited into Shares at a conversion price of \$0.18 per Share. However, Shareholders should be aware that as at 9 September 2013, being the last practicable date prior to the date of finalising this Explanatory Statement, the Share price is below the conversion price. If the Share price continues to be below the conversion price of the Sedgman Loan Note, it is not expected that the Sedgman Loan Note would be converted into Shares. For the purposes of providing an indication of Sedgman Limited's undiluted percentage interest in the Company upon conversion of the Sedgman Loan Note, it has been assumed that no Shares are issued in lieu of interest payable on the Sedgman Loan Note (as the impact of Shares issued in lieu of interest payments is depicted separately in the table).
- Assumes that the Sedgman Loan Note is not converted or repaid prior to its Maturity Date and that all interest accruing is paid by way of the issue of Shares. The maximum amount of interest

payable is \$140,000. The issue price of Shares issued in lieu of interest payments will be a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to the date on which the interest payment is due. Accordingly, the relevant issue price (and therefore the number of Shares to be issued) may vary. For the purposes of providing an indication of Sedgman Limited's undiluted percentage interest in the Company should Shares be issued in lieu of cash interest payments, it has been assumed that the Sedgman Loan Note is not converted into Shares (as the impact of Shares issued upon conversion of the Note is depicted separately in the table).

5. The issue price of \$0.0544 per Share is a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to 9 September 2013, the last practicable date prior to the date of finalising this Explanatory Statement.
6. The issue price of \$0.0270 per Share represents a 50% decrease in the price calculated as a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to 9 September 2013, the last practicable date prior to the date of finalising this Explanatory Statement.
7. The issue price of \$0.0810 per Share represents a 50% increase in the price calculated as a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to 9 September 2013, the last practicable date prior to the date of finalising this Explanatory Statement.

4.2 Listing Rules information requirements

Listing Rule 7.1 provides that a company must not, without prior approval of shareholders and subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to enable Sedgman to convert all or any of the Sedgman Loan Note into Shares without using the Company's 15% annual placement capacity.

The effect of Resolution 6 will be to allow the Company to satisfy interest payments under the Sedgman Loan Note by way of issuing Shares without needing to count those Shares towards the Company's 15% annual placement capacity.

Pursuant to, and in accordance with Listing Rule 7.3, the following information is noted for the purposes of obtaining Shareholder approval for Resolutions 5 and 6:

Listing Rule	Resolution 5 – Grant of right to convert Sedgman Loan Note into Shares	Resolution 6 – Issue of Shares in lieu of interest
7.3.1 – maximum number of securities to be issued	If Resolution 5 is approved, the Note will become an equity security. The Note will be convertible into a maximum of 2,777,778 Shares.	The number of Shares which may be issued depends upon prevailing Share price at the time the Company exercises its rights to have interest payments satisfied by way of the issue of Shares. Any Shares will be issued at a 5% discount to the 10 day VWAP prior to the date for payment of interest. The Company will assess at each interest payment date whether to satisfy interest payments in cash or by way of the issue of Shares or a combination of cash and Shares.

7.3.2 – date by which securities will be issued	The Note was issued on 26 August 2013 and is a debt security. If Resolution 5 is approved, the Note will be converted into an equity security for the purposes of the Listing Rules at the time of the approval being obtained.	Interest is payable quarterly in arrears over the term of the Note, with the first interest payment due on 30 September 2013, and subsequent payments due at the end of each quarter until the final payment on the Maturity Date. As the issue of Shares to satisfy interest payable on the Note may occur after the usual 3 month period required by Listing Rule 7.3.2, the Company has sought a waiver extending the period in which the Shares the subject of Resolution 6 must be issued to end on the current Maturity Date, being 26 August 2015. There is no guarantee that this waiver will be granted. The Company has been granted a waiver by ASX of Listing Rule 7.3.2 extending the period in which the Shares the subject of Resolution 6 must be issued from the usual 3 month period to a period ending one week after the Maturity Date, being 2 September 2015.
7.3.3 – issue price	The issue price of the Note is \$500,000. The Note may be converted into Shares at a conversion price of \$0.18 per Share.	Shares issued at a 5% discount to the 10 day VWAP prior to the date for payment of interest.
7.3.4 – name of the person	The Note was issued to Sedgman Limited. Shares issued on conversion of the Note will be issued to Sedgman Limited.	Sedgman Limited.
7.3.5 – terms of securities	The key terms of the Note are set out in Section 4.1 above. Shares issued on the conversion of the Note will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue at the time.	Shares issued to satisfy interest payments will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue at the time.
7.3.6 – intended use of funds raised	Funds raised from the issue of the Note are being used for continuing feasibility studies at the Titiribi coal project in Colombia, including a study of capital and operations options for the project, for expenses incurred in relation to completing the acquisition of an interest in the Uraba concession and for general working capital requirements.	No funds will be raised from the issue of these Shares.
7.3.7 – issue date	See disclosure in relation to Listing Rule 7.3.2 above.	See disclosure in relation to Listing Rule 7.3.2 above. If the waiver of Listing Rule 7.3.2 is granted, any Share issues will occur progressively.
7.3.8 – voting exclusion statement	A voting exclusion statement is included in the Notice of Meeting.	A voting exclusion statement is included in the Notice of Meeting.

4.3 What if Resolution 5 or Resolution 6 is not approved by Shareholders?

It is a requirement under the Sedgman Loan Note that the Company use its best endeavours to obtain the shareholder approvals necessary to issue Shares to Sedgman Limited under that agreement. If Resolution 5 is not approved by Shareholders then the Sedgman Loan Note will become repayable within 30 days.

4.4 Directors' recommendation

The Directors consider that approving the conversion of the Sedgman Loan Note and of interest payments under it, will benefit the Company by enabling it to retain working capital and by preserving its ability to seek further funding by way of convertible loan agreements.

Each of the Directors recommends Shareholders vote in favour of Resolutions 5 and 6.

5. Resolution 7 – Approval of proposed issue of Shares

The Company wishes to preserve the flexibility to undertake a substantial equity capital raising to raise additional funds to continue the development of on its 90% owned Titiribi Project Concessions and on the Urabá Concession, following completion of the Urabá Transaction.

The Company is currently considering a range of capital raising structures, including a shareholder rights/entitlements issue and/or a private placement. No decisions have been made at this stage in relation to whether to proceed with such a fundraising, or the structure of any such raising. In order to maintain maximum flexibility to do so, and to preserve the Company's ability to issue equity securities within the 15% annual limit under Listing Rule 7.1, the Company seeks advance Shareholder approval under Listing Rule 7.1 for a proposed equity capital raising involving the issue of Shares.

Such a raising would provide the Company with increased financial flexibility to raise funds. Although no decision has been made as to whether to proceed with an equity capital raising by way of a Share issue, the Directors consider it prudent to seek to maximise the Company's available fundraising options so as to ensure that the Company is able to fast track development on the Titiribi Project Concessions and on the newly acquired Urabá Concession. In particular, the Company will need to raise funds to in order to undertake further exploration drilling and to commence in-fill drilling, works associated with securing development, construction, mining and environmental approvals, securing access to key infrastructure and undertaking feasibility studies which will underpin the business case for proceeding to mining operations. Funds raised may also be used to provide the Company with the flexibility to pursue opportunistic acquisitions if they arise and for general corporate and working capital purposes.

Resolution 7 seeks Shareholder approval under Listing Rule 7.1 for a proposed equity capital raising. A summary of Listing Rule 7.1 is set out in Section 4.2 above.

5.1 Listing Rules information requirements

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided for the purpose of obtaining Shareholder approval for Resolution 7:

- (a) The maximum number of Shares to be issued will be 30,000,000 Shares.
- (b) It is anticipated that, subject to Shareholders approving Resolution 7, the Shares will be issued on one date and in any event no later than 3 months after the date of the Meeting, or such later date as approved by ASX by way of ASX granting a waiver under the Listing Rules.
- (c) The minimum price per Share will be at least 80% of the volume weighted average market price for securities in that class. The average is calculated over the last 5 days on which sales in the securities were recorded before the day on which the issue was made or, if there is a prospectus, Product Disclosure Statement or offer information statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date the prospectus, Product Disclosure Statement or offer information is signed.

- (d) The price at which the Shares will be issued will be determined by the Directors based on market conditions at the time of issue. Due to the current volatility in market conditions it is not possible for the Directors to determine the issue price as at the date of this Explanatory Statement. The Company is not bound to issue the maximum number of Shares for which Shareholder approval is sought. The Company may, in its absolute discretion, issue such lesser number of Shares as it may determine.
- (e) The names of the persons to whom the Company will issue Shares are not known. It is likely that they will be institutional, sophisticated and professional investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act. The Shares will not be issued to Directors or other related parties without further Shareholder approval, to the extent any such approval is required by the Corporations Act or the Listing Rules.
- (f) The Shares will rank equally in all respects with the existing Shares on issue.
- (g) The funds that may be raised by the Company will, depending on the quantum ultimately raised, be used to:
 - (i) undertake further exploration drilling on the Lara concession at Titiribi and the Urabá Concession;
 - (ii) commence in-fill drilling on the El Balsal and El Silencio concessions;
 - (iii) progress works associated with securing all necessary development, construction, mining and environmental approvals as well as logistics solutions for Titiribi and Urabá; and
 - (iv) undertake feasibility studies required to progress to mining operations at Titiribi and Urabá.

Funds raised would also provide the Company with the flexibility to pursue potential opportunistic acquisitions of new projects that align with the Company's strategy of being a Colombian focussed coal explorer and developer, should such opportunities arise.

- (h) A voting exclusion statement for Resolution 7 is included in the Notice.

5.2 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 7.

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

\$	Australian dollars.
Ascot Equities	Ascot Equities Pty Ltd ACN 109 815 876.
Associate	has the meaning given to that term by the note to Listing Rule 14.11.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) and its Related Bodies Corporate, or the financial market known as the Australian Securities Exchange, as the context requires.
Board	The board of Directors of the Company.
Carbones Golfo	Carbones del Golfo S.L., a company incorporated in Colombia.
Carbones Golfo Acquisition Agreement	The agreement between the Company and the existing shareholder of Carbones Golfo for the acquisition of 90% of Carbones Golfo which will be finalised after the date of the Notice.
Carbones Spain	Carbones de Colombia S.L., a company incorporated in Spain.
Carbones Urabá	Carbones de Urabá S.L., a company incorporated in Spain.
Chairman	The chairman of the Meeting.
Closely Related Party	in respect of a member of the Key Management Personnel means: <ul style="list-style-type: none">(a) a spouse or child of the member;(b) a child of the member's spouse;(c) a dependent of the member or the member's spouse;(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;(e) a company the member controls; or(f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).
Completion	Completion of the transaction contemplated by the Hampshire Heads of Agreement.
Company	Ascot Resources Limited ACN 146 530 378.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Establishment Fee	The establishment fee of \$22,500 that was required to be paid by the

Company to Sedgman pursuant to the Sedgman Funding Agreement, which was satisfied by the issue of 376,538 Shares to Sedgman.

Executive Incentives	The performance rights to acquire Shares on the terms set out in Schedule 1 to the Company's Notice of Extraordinary General Meeting for the meeting held on 4 July 2013, which is available on the Company's website at www.ascotresources.com .
Explanatory Statement	This explanatory statement which accompanies and forms part of the Notice of Meeting.
General Meeting or Meeting	The general meeting of Shareholders, or any meeting adjourned thereof, convened by the Notice.
Glossary	This glossary of terms.
Hampshire Heads of Agreement	The heads of agreement between the Company, Carbones Spain and Hampshire Mining dated 22 July 2013 as varied by deed of variation dated 5 September 2013.
Hampshire Mining	Hampshire Mining Pty Ltd ACN 159 696 296.
Independent Expert	RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024.
Independent Expert's Report	The report prepared by the Independent Expert in respect of the Urabá Transaction dated 9 September 2013, a copy of which forms Annexure B to this Explanatory Statement.
Jesson	Jesson Pty Ltd ACN 115 886 078 as trustee for the Kopejtka Superannuation Fund.
JORC Code	The Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia, as amended or replaced from time to time (2012 Edition).
JORC Compliant	Compliant with the JORC Code.
Key Management Personnel	has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.
Kopejtka Loan Note	The Loan Note issued under the Kopejtka Loan Note Agreement, the terms and conditions of which are set out in Annexure A to this Explanatory Statement.
Kopejtka Loan Note Agreement	The loan note agreement between Jesson Pty Ltd as trustee for the Kopejtka Superannuation Fund and the Company dated 17 July 2013.
Listing Rules	The official listing rules of ASX.
Mt	Million tonnes.
Notice or Notice of Meeting	The notice of General Meeting which accompanies this Explanatory Statement.

Option	An option to acquire a Share.
Product Disclosure Statement	Has the same meaning as given to that term in the Corporations Act.
Proxy Form	The proxy form accompanying the Notice of Meeting.
Related Party	Has the same meaning as given to that term in section 228 of the Corporations Act.
Related Body Corporate	Has the same meaning as given to that term in the Corporations Act.
Resolution	A resolution set out in the Notice.
Securities	Shares and/or Options.
Sedgman Limited	Sedgman Limited ACN 088 471 667.
Sedgman Loan Note	The Loan Note issued under the Sedgman Funding Agreement.
Sedgman Funding Agreement	The Funding Agreement between Sedgman Limited and the Company dated 19 August 2013.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A holder of Shares.
Titiribi Agreement	The heads of agreement between the Company and Ascot Equities dated 6 August 2012 as varied by a deed of variation dated 3 October 2012.
Titiribi Milestone Shares	The 73,260,000 Shares that may be issued by the Company to Ascot Equities pursuant to the Titiribi Agreement.
Titiribi Project Concessions	Coal exploration Concessions having National Mining Register ID numbers HJBN-04, HJID-06 and HJLI-01.
Urabá Concession	The concession located in the Urabá region of the Department of Antioquia, Colombia, having National Mining Register ID number ED4-152.
Urabá Transaction	The transaction governed by the Hampshire Heads of Agreement.
US\$	United States of America dollars.
WST	Western Standard Time, being the time in Perth, Western Australia.

Annexure A Terms and Conditions of the Kopejtka Loan Note

1. Definitions

Unless the context otherwise requires:

Approval Deadline Date means the date that is 90 days after the Issue Date or if that day is not a Business Day, the next occurring Business Day.

Approvals means all regulatory, Government Agency and shareholder approvals necessary for the Company to issue Shares to the Noteholder on the terms and conditions set out in this agreement.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

ASX Listing Rules means the official Listing Rules of the ASX.

Bonus Entitlement Date means a date, occurring before a Conversion Exercise Date, on which entitlements are ascertained for the holders of Shares to participate in any pro rata bonus issue of Shares or other Securities by way of capitalisation of profits or otherwise.

Business Day means a day on which trading banks are open for business in Perth, Western Australia.

Cleansing Statement has the meaning given to that term in clause 7(b)(i).

Company means Ascot Resources Limited ABN 85 146 530 378 of 512 Hay Street, Subiaco, Western Australia.

Completion means the completion of the issue and subscription of the Loan Note in accordance with clause 2.2.

Constitution means the constitution of the Company.

Conversion Exercise Date means, in relation to a Conversion Notice, the date on which the Noteholder gives the Conversion Notice to the Company to convert all or part of the Subscription Sum Outstanding to Shares in accordance with this agreement.

Conversion Notice has the meaning given to that term in clause 4.2(a).

Conversion Period means the period commencing from (and including) the date on which the Approvals are obtained to (and including) the Business Day falling immediately before the earlier of:

- (a) the date on which the Subscription Sum Outstanding is repaid or converted into Shares in full; and
- (b) the Maturity Date.

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

Excluded Information has the meaning given to that term in section 708A(7) of the Corporations Act.

Excluded Tax means a Tax imposed by any jurisdiction on the net income of the Noteholder.

Financial Indebtedness means any debt or other monetary liability in respect of moneys borrowed or raised or any financial accommodation including under or in respect of any:

- (a) bill of exchange, bond, debenture, note or similar instrument;
- (b) acceptance, endorsement or discounting arrangement;
- (c) Guarantee;
- (d) finance or capital Lease;
- (e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service;
- (f) obligation to deliver goods or provide services paid for in advance by any financier;
- (g) hedging arrangement;
- (h) agreement for the payment of capital or premium on the redemption of any preference shares; and irrespective of whether the debt or liability:
 - (i) is present or future;
 - (j) is actual, prospective, contingent or otherwise;
 - (k) is at any time ascertained or unascertained;
 - (l) is owed or incurred alone or severally or jointly or both with any other person; or
 - (m) comprises any combination of the above.

Government Agency means any government or governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.

Guarantee means any guarantee, suretyship, letter of credit or any other obligation:

- (a) to provide funds (whether by the advance or payment of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of;

- (b) to indemnify any person against the consequences of default in the payment of; or
- (c) to be responsible for, any debt or monetary liability of another person or the assumption of any responsibility or obligation in respect of the insolvency or the financial condition of any other person.

Holding Statement means a share certificate or other document (which conforms with the ASX Listing Rules) evidencing the legal ownership of a Share listed on the ASX.

Immediately Available Funds means cash, bank cheque or freely transferable funds.

Interest Payment Date means the last day of each Interest Period.

Interest Period means each period determined under clause 5.1(d).

Interest Rate means 14% per annum.

Issue Date means the date on which Completion occurs, which date that must not be more than three Business Days after 17 July 2013.

Issue Price means \$0.18.

Lease means a lease, charter, hire purchase, hiring agreement or any other agreement under which any property is or may be used or operated by a person other than the owner.

Loan Note means a loan note issued under the terms of this agreement at an issue price equal to the Subscription Sum.

Loan Note Certificate means a certificate for the Loan Note.

Material Adverse Effect means a material adverse effect on:

- (a) the Company's ability to perform any of its obligations under any Transaction Document;
- (b) the validity or enforceability of a Transaction Document; or
- (c) the assets, business or operations of the Company.

Maturity Date means the first anniversary of the Issue Date.

Moneys Outstanding means, at any time, the Subscription Sum Outstanding and accrued interest on the Loan Note which has not been paid or converted into Shares.

Noteholder means Jesson Pty Ltd as trustee of the Kopejtka Superannuation Fund ACN 115 886 078 of C/-Athans & Taylor, Suite 3, 17 Foley Street, Balcatta, WA 6021.

Overdue Rate means 16% per annum.

Party means the Company or the Noteholder.

Redemption Notice means a notice delivered by the Company to the Noteholder in accordance with clause 8.2(a).

Quarterly Date means each of 31 March, 30 June, 30 September and 31 December in each year.

Securities has the meaning given to that term in section 92(3) of the Corporations Act.

Share means an ordinary share in the capital of the Company with the rights set out in the Constitution.

Subscription Sum means \$650,000.

Subscription Sum Outstanding means at any time, the amount of the Subscription Sum that has not been repaid or converted into Shares.

Tax means:

- (a) any tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or
- (b) any income, stamp or transaction duty, tax or charge,

which is assessed, levied, imposed or collected by any Government Agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed on or in respect of any of the above.

Transaction Documents means:

- (a) this agreement;
- (b) each Conversion Notice;
- (c) Loan Note Certificate; and
- (d) any agreement, deed or other document that the Parties agree in writing is a Transaction Document for the purposes of this agreement.

VWAP on any date, means the volume weighted average price of a Share sold on the ASX for the 10 most recent days prior to that date on which Shares have traded.

2. Subscription for Loan Note

2.1 Subscription

The Company will issue, and the Noteholder will subscribe for, the Loan Note on the terms of this agreement.

2.2 Completion

The Parties agree that on the Issue Date:

- (a) the Noteholder shall:
 - (i) deliver to the Company a duly completed and executed application form; and
 - (ii) pay to the Company the Subscription Sum by a bank cheque or deliver to the Company a confirmation of an irrevocable electronic transfer to an account nominated by the Company, made out to the Company, in the amount of the Subscription Sum; and
- (b) the Company shall:
 - (i) allot and issue the Loan Note to the Noteholder on the terms of this agreement; and
 - (ii) deliver to the Noteholder a Loan Note Certificate for the Loan Note.

3. Loan Note

3.1 Initial face value

The Loan Note's initial face value is equal to the Subscription Sum.

3.2 Loan Note unsecured

The Loan Note is unsecured.

3.3 Acknowledgment of indebtedness

Subject to this agreement, the Company acknowledges that from (and including) the Issue Date, the Company will be indebted to the Noteholder to the extent of the Moneys Outstanding.

3.4 Voting Rights

The Loan Note shall not provide for any voting rights at any shareholder meeting of the Company.

3.5 Note Certificates

- (a) If any Loan Note Certificate becomes worn out or defaced, the Noteholder may exchange it with the Company for a new Loan Note Certificate by simultaneous delivery and cancellation.
- (b) Subject to paragraph (c) below, if a Loan Note Certificate is lost or destroyed, the Company will issue a new Loan Note Certificate to the Noteholder.
- (c) Before any new Loan Note Certificate may be issued under paragraph (b) above, the Noteholder must provide to the Company (at the cost of the Noteholder):
 - (i) proof to the satisfaction of the Company that the Loan Note Certificate is lost or destroyed; and
 - (ii) any indemnity and advertisement as the Company may require to be given or published.
- (d) On any transfer or partial conversion of the Loan Note, the Loan Note Certificate must be cancelled by the Company and, if applicable, a new Loan Note Certificate issued displaying any adjusted Subscription Sum reflecting its new face value.

3.6 Transfers

- (a) The Noteholder may not transfer, assign or novate its rights under the Loan Note.
- (b) The Company may not transfer, assign or novate any of its rights or obligations under the Loan Note.

4. Conversion of loan

4.1 Condition to conversion

- (a) Clauses 4.2 and 4.3, and the right of the Noteholder to convert the Subscription Sum Outstanding into Shares under those clauses and clause 5.1 and the right to elect to be paid interest on the Subscription Sum Outstanding by way of the Company issuing Shares under that clause, are subject to and conditional upon the Company obtaining the Approvals by no later than the Approval Deadline Date.
- (b) The Company must use best endeavours to obtain the Approvals by no later than the Approval Deadline Date, including by procuring that each of its directors (other than a director who is a beneficiary of the Noteholder):
 - (i) recommend to all shareholders in the Company that the shareholders vote in favour of any vote required in connection with obtaining the Approvals; and
 - (ii) advise all shareholders in the Company that that director intends to vote his or her Shares in favour of any vote required in connection with obtaining the Approvals, unless that director reasonably considers that his or her fiduciary or statutory obligations prevent him or her from doing either of the matters referred to in paragraphs (i) and (ii).
- (c) The Company must have the capacity under ASX Listing Rule 7.1 to issue Shares to the Noteholder following the obtaining of the Approvals.
- (d) If the Approvals are not obtained, or otherwise become incapable of being obtained on or before the Approval Deadline Date, the Noteholder will not be entitled to convert all or part of the Subscription Sum Outstanding and the Moneys Outstanding will remain due and payable in accordance with the terms of this agreement.

4.2 Condition to conversion

- (a) Subject to the condition set out in clause 4.1(a) being satisfied, the Noteholder can, subject to clause 4.1(c), convert all or any part of the Subscription Sum Outstanding by delivering a notice to the Company referring to the Loan Note and specifying the amount of the Subscription Sum Outstanding that is to be converted to Shares (**Conversion Notice**).
- (b) The number of Shares to be received by the Noteholder following delivery of a Conversion Notice will be determined by dividing:
 - (i) the amount of the Subscription Sum Outstanding designated in the Conversion Notice to be converted into Shares; by
 - (ii) the Issue Price.Where the number of Shares calculated results in a fraction of a Share, the number of Shares to be issued must be rounded up to a whole number of Shares.
- (c) The Noteholder may not deliver a Conversion Notice:
 - (i) unless the amount of the Subscription Sum Outstanding to be converted under the Conversion Notice is no less than:
 - A. \$100,000; and
 - B. the balance of the Subscription Sum Outstanding (if that balance is less than \$100,000);
 - (ii) unless the date falling 10 Business Days after the Conversion Exercise Date is a Business Day falling within the Conversion Period; and
 - (iii) at a time when Shares are suspended from trading on the ASX; and
 - (iv) unless it is accompanied by the relevant Loan Note Certificate.
- (d) Once given, a Conversion Notice is only able to be withdrawn in the circumstances referred to in, and in accordance with, clause 4.2(e).
- (e) The Company must, within 2 Business Days after receipt of the Conversion Notice, notify the Noteholder if it is unable to issue a Cleansing Statement in accordance with clause 7(b)(i) without disclosing Excluded Information. The Noteholder may withdraw its Conversion Notice at any time prior to the date that is 3 Business Days after that notice of the Company's inability to issue the Cleansing Statement is given to the Noteholder. If the Conversion Notice is not withdrawn during this time, it will become incapable of being withdrawn without the prior written consent of the Company.
- (f) One or more Conversion Notices may be given during the Conversion Period but no more than one Conversion Notice may be delivered on any one date.

4.3 Issue of Shares

- (a) If the Noteholder delivers a Conversion Notice to the Company in accordance with clause 4.2 and that Conversion Notice has not been withdrawn in accordance with clause 4.2(e), the Company must:
 - (i) issue to the Noteholder the number of Shares determined in accordance with clause 4.2(b) within 10 Business Days of the Conversion Exercise Date; and
 - (ii) give a Holding Statement to the Noteholder in respect of the total number of Shares issued to the Noteholder as determined in accordance with clause 4.2(b) within 15 Business Days of the Conversion Exercise Date.
- (b) After the issue of the Shares under clause 4.3(a)(i), the Company must comply with clause 7 in respect of those Shares.
- (c) On the issue of the Shares in accordance with clause 4.3(a), the Subscription Sum Outstanding referred to in the Conversion Notice delivered in respect of those Shares is deemed to have been repaid by the Company to the Noteholder.
- (d) The operation of clause 4.3(c) is subject to and conditional upon compliance by the Company with the provisions in clause 7.

5. Interest and fees

5.1 Payment of interest

- (a) The Company must pay interest on the Subscription Sum Outstanding for each Interest Period at the Interest Rate.
- (b) Interest is calculated on daily balances on the basis of a 365 day year and for the actual number of days elapsed from and including the first day of each Interest Period to, but excluding, the last day of the Interest Period or, if earlier, the date any part of the Subscription Sum is deemed to be repaid under clause 4.3(c) or is repaid in accordance with clause 8.1.
- (c) Subject to clause 5.2, the Company must pay accrued interest in arrears to the Noteholder on each Interest Payment Date.

- (d) The first Interest Period commences on the Issue Date and ends on the first Quarterly Date falling after the Issue Date and each subsequent Interest Period commences on the last day of the immediately preceding Interest Period and ends on the earlier of the next Quarterly Date and the Maturity Date.
- (e) If a payment under this clause 5.1 is due on a day which is not a Business Day, the due date for that payment is the next Business Day in the same calendar month or, if none, the preceding Business Day.

5.2 Payment of interest by issue of Shares

- (a) Provided that the Company has obtained the Approvals, any interest due and payable on the Subscription Sum Outstanding on an Interest Payment Date may, at the Noteholder's election, be paid by the Company issuing to the Noteholder on the Interest Payment Date the number of Shares determined by dividing:
 - (i) the amount of the interest then payable; by
 - (ii) the greater of \$0.03 and a Share price determined as a 5% discount to the VWAP on that Interest Payment Date.
- (b) Where the number of Shares calculated results in a fraction of a Share, the number of Shares to be issued must be rounded up to a whole number of Shares.
- (c) The Noteholder must give written notice to the Company of its election at least 5 Business Days before the Interest Payment Date, specifying the amount of interest it elects to be satisfied by the issue of Shares.
- (d) If the Noteholder elects to issue Shares under clause 5.2, the Company must:
 - (i) issue to the Noteholder the number of Shares determined in accordance with clause 5.2 on the Interest Payment Date; and
 - (ii) give a Holding Statement to the Noteholder in respect to the total number of Shares issued within 15 Business Days of the Interest Payment Date; and
 - (iii) comply with the provisions of clause 7 in respect of those Shares.
- (e) The amount of interest the subject of the notice of election is taken to have been paid in full on the date the Shares are issued under this clause 5.2.
- (f) The operation of clause 5.2(d) is subject to and conditional upon compliance by the Company with the provisions of clause 5.2(c).

6. Default interest

6.1 Payment of interest

The Company must pay interest on:

- (a) any Moneys Outstanding and any other amount due and payable by it under this agreement, but unpaid; and
- (b) any interest payable but unpaid under this clause 6.

6.2 Accrual of interest

The interest payable under this clause 6:

- (a) accrues from day to day from and including the due date for payment up to the actual date of payment, before and, as an additional and independent obligation, after any judgment or other thing into which the liability to pay the Moneys Outstanding and any other amount due and payable by the Company under this agreement becomes merged; and
- (b) may be capitalised at monthly intervals.

6.3 Rate of interest

The rate of interest payable under this clause 6 on any part of the Moneys Outstanding and any other amount due and payable by the Company under this agreement is the Overdue Rate.

7. Quotation and cleansing statement

After the issue of the Shares under clauses 4.3(a)(i) or 5.2(a) (**Specified Shares**), the Company must:

- (a) as soon as practicable and in any event no later than 5 Business Days after those Specified Shares being issued and allotted apply for official quotation of those Shares on ASX and the Specified Shares must be of the same class, and rank equally with, other Shares on issue as at that date; and
- (b) lodge with the ASX:
 - (i) a notice in accordance with section 708A(5) and (6) of the Corporations Act in relation to the issue of the Specified Shares (**Cleansing Statement**) as soon as practicable but no later than 5 Business Days after the issue of any Specified Shares; or
 - (ii) if the Company is unable to comply with each of the obligations required to issue a Cleansing Statement or the Company has notified the Noteholder in accordance with

clause 4.2(e) that it is unable to issue a Cleansing Statement without disclosing Excluded Information, (at its own expense) a disclosure document complying with part 6D.2 of the Corporations Act within 20 Business Days of the issuance of the Specified Shares,

and otherwise do everything necessary or reasonably appropriate to ensure that the Specified Shares are validly issued and able to be freely traded on the ASX in compliance with the Listing Rules and the Corporations Act.

8. Repayments

8.1 Final payment

All Moneys Outstanding must be repaid or paid in full on or before the Maturity Date, or on any other date on which those other moneys are, or are required to be, repaid or paid in full.

8.2 Early redemption

- (a) The Company may redeem by prepayment all of the Subscription Sum Outstanding at any time on or after the date that is two months after Issue Date and before the date which is 20 days before the Maturity Date by giving the Noteholder at least 30 days' prior notice specifying the redemption date (**Redemption Notice**).
- (b) The Company must prepay and pay all of the Moneys Outstanding on the redemption date specified in the Redemption Notice and on that redemption, the Moneys Outstanding are deemed to have been paid and repaid (as applicable) by the Company to the Noteholder.
- (c) A Redemption Notice is irrevocable.

8.3 Method

The Company must make all payments due under the Transaction Documents:

- (a) on the due date (or, if that is not a Business Day, on the next Business Day unless that day falls in the following month or after the Maturity Date, in which case, on the previous Business Day);
- (b) in Immediately Available Funds;
- (c) in Dollars; and
- (d) not later than 2.00pm in Perth, Western Australia on the due date.

Following payment of all the Moneys Outstanding, the Noteholder must surrender to the Company the relevant Loan Note Certificate for cancellation.

8.4 Gross

- (a) The Company must make all payments due under this agreement without:
 - (i) any set off, counterclaim or condition; or
 - (ii) any deduction or withholding for any Tax or any other reason other than a deduction or withholding which is required by applicable law.
- (b) If:
 - (i) the Company is required to make a deduction or withholding in respect of Tax (other than Excluded Tax) from any payment made or to be made to the Noteholder under the Loan Note; or
 - (ii) the Noteholder is required to pay any Tax (other than Excluded Tax) in respect of any payment or Share it receives from the Company under the Loan Note,the Company:
 - (iii) indemnifies the Noteholder against that Tax; and
 - (iv) must pay to the Noteholder an additional amount which the Noteholder determines to be necessary to ensure that the Noteholder receives when due a net amount (after payment of any Tax in respect of each additional amount) that is equal to the full amount it would have received if a deduction or withholding or payment of Tax had not been made.

8.5 Appropriation

- (a) All payments by the Company to the Noteholder (other than under clause 8.2) may be appropriated as between principal, interest and other amounts as the Noteholder determines in its absolute discretion.
- (b) However, if the Noteholder does not make a determination, the Company may appropriate payments in the following order:
 - (i) first, towards all fees, costs, expenses and charges (other than interest) due and payable by the Company to the Noteholder under the Transaction Documents;
 - (ii) second, towards payment of uncapitalised interest due and payable by the Company to the Noteholder under the Transaction Documents; and
 - (iii) third, towards payment of the Subscription Sum Outstanding.

- (c) All payments by the Company to the Noteholder may be appropriated as between principal, interest and other amounts by the Noteholder (other than under clause 8.2) despite and prevalent to any appropriation made by the Company.

9. Reconstruction

- (a) In the event of a reconstruction of the capital of the Company by way of a subdivision, reduction, return, scheme of arrangement or otherwise (but other than by way of a bonus issue, rights issue or other security issue), a proportionate adjustment will be made to the number and Issue Price of Shares to which the Noteholder may be entitled upon conversion of the Subscription Sum Outstanding consistent with the reconstruction so that:
 - (i) the value of the Loan Note is not adversely affected by the reconstruction;
 - (ii) the Noteholder is not conferred with any additional benefits which are not also conferred on the holders of Shares; and
 - (iii) subject to paragraph (b) below, in all other respects the terms for the conversion of the Subscription Sum Outstanding shall remain unchanged.
- (b) This agreement from time to time must be varied to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

10. Offers to holders of Shares

10.1 Participation in bonus issues

- (a) On any Bonus Entitlement Date, a further right will attach to the Loan Note entitling the Noteholder to receive, upon the conversion of the Loan Note, an allotment of an additional number of Shares or the issue of other securities or both as it would have been entitled to had it converted the Loan Note immediately before the Bonus Entitlement Date.
- (b) On conversion of the Loan Note (or any part of it), the Company shall apply sufficient profits in paying up in full those additional Shares or other securities.
- (c) When making a bonus issue to the holders of Shares, the Company must ensure that after the issue it will retain not less than a level of profits which would permit the additional Shares or other securities to be allotted to the Noteholder if the whole of the Subscription Sum Outstanding on the Bonus Entitlement Date were converted on the following day.
- (d) Where, on the conversion of the Loan Note (or any part of it), the Company has insufficient retained profits to permit the allotment of all of the additional Shares or other securities under paragraph (a) above, the Company must provide consideration to the Noteholder in a form as close as possible to the Shares or other securities, or both, that it was to receive so that the value of the Loan Note is preserved.

10.2 Participation in pro-rata securities issues

If at any time before a Conversion Exercise Date, the Company makes a pro-rata offer of Shares or other securities of the Company to all of the holders for the time being of Shares, then provided the Approvals have been obtained in accordance with clause 4.1 the Company must make to the Noteholder an offer on terms which correspond with the offer the Noteholder would have received in respect of the Shares it would have been entitled to had it converted the Subscription Sum Outstanding immediately prior to the record date for the pro-rata offer by the Company (taking into account any additional Shares which would have been allotted to it pursuant to clause 10.1), but without requiring the Noteholder to convert any part of the Subscription Sum Outstanding in order to participate in the pro-rata offer.

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ASCOT RESOURCES LIMITED

ACN 146 530 378

PROXY FORM

I/We (name of Shareholder)

of (address)

being a member/members of Ascot Resources Limited HEREBY APPOINT:

(name).....

of (address)

and/or failing him/her (name)

of (address)

or failing that person then the Chairman of the General Meeting as my/our proxy to act generally for me/us and to vote in accordance with the following directions or, if no directions are given, as the proxy sees fit at the General Meeting of the Company to be held at **10.30am WST, 31 October 2013, at 512 Hay Street, Subiaco Western Australia** and at any adjournment of the meeting.

<input type="checkbox"/>	<p>Authorisation of the Chairman of the General Meeting to cast votes on Resolutions 1 to 7</p> <p>If the Chairman of the General Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Resolutions 1 to 7 below, please place a mark in this box.</p> <p>By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy in respect of a Resolution even if he/she has an interest in the outcome of that Resolution, and that the votes cast by him/her, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes and your votes will not be counted in computing the required majority if a poll is called on a Resolution.</p> <p>By marking this box you expressly authorise the Chairman of the Meeting to vote as your proxy on Resolution 2 in accordance with his intention as set out in the Notice of General Meeting and this form (except where you have indicated a different voting intention by marking the voting boxes below), even though that Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.</p> <p>Directors (other than the Chairman of the Meeting, where authorised) and other Key Management Personnel of the Company and their Closely Related Parties will not cast any votes in respect of Resolution 2 that arise from any undirected proxy that they hold.</p> <p>The Chairman of the Meeting intends to vote all available undirected proxies in favour of Resolutions 1 to 7.</p>
--------------------------	---

Should you so desire to direct the proxy how to vote, you should place a cross in the appropriate boxes below:

I/We direct my/our Proxy to vote in the following manner:

		For	Against	Abstain
Resolution 1	Approval of Urabá Transaction			
Resolution 2	Approval of financial benefit to Mr Andrew Caruso			
Resolution 3	Approval of conversion of amounts under the Kopejtka Loan Note			
Resolution 4	Approval to issue Shares in lieu of interest under the Kopejtka Loan Note			
Resolution 5	Approval to convert Sedgman Loan Note			
Resolution 6	Approval to issue Shares in lieu of interest under the Sedgman Loan Note			
Resolution 7	Approval of proposed issue of Shares			

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

<p><i>This Proxy is appointed to represent _____% of my voting right or if two proxies are appointed Proxy 1 represents _____% and Proxy 2 represents _____% of my/our total votes.</i></p> <p><i>My/our total voting right is _____ shares.</i></p>
--

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director

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Ascot Resources Limited
Financial Services Guide and
Independent Expert's Report

September 2013

We have concluded that the Transaction is Fair and Reasonable to Shareholders of Ascot Resources Limited.

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 (“RSM Bird Cameron Corporate Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

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

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

Independent Expert's Report

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Appendix A - Declarations and Disclaimers

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Appendix D – Overview of Calculation of WACC

Appendix E – Comparable Companies and Beta Calculation

Direct Line: (08) 9261 9447
Email: andy.gilmour@rsmi.com.au
AJG/PG/AD

17 September 2013

The Directors
Ascot Resources Limited
512 Hay Street
Subiaco, Western Australia 6008

Dear Directors

Independent Expert's Report

1. Introduction

- 1.1. Ascot Resources Limited ("Ascot" or "the Company") is a Perth based company engaged in the acquisition, exploration and development of coal assets in Colombia. Ascot is listed on the Australian Securities Exchange ("ASX").
- 1.2. Ascot has entered into a conditional, binding Heads of Agreement with Hampshire Mining Pty Ltd ("Hampshire Mining") for the proposed acquisition of an indirect 90% interest in a 4,971 hectare coal concession ("Urabá Concession") located in the Urabá region of the Department of Antioquia, Colombia, South America ("Proposed Transaction").
- 1.3. On completion of the Proposed Transaction, Hampshire Mining will procure the transfer from its subsidiary, Carbones de Urabá S.L. ("Carbonos Uraba"), to Ascot's 100% owned subsidiary, Carbones de Colombia S.L. ("Carbonos Spain"), the right to enter into an agreement to acquire 90% of the issued shares in Carbones del Golfo S.A. ("Carbonos Golfo"), a company incorporated in Colombia that, in turn, is the holder of the Urabá Concession. Included in the acquisition will be all associated historical exploration data, the majority of which is in the form of surface mapping and limited assays of surface outcropping coal. The Proposed Transaction is subject to a number of Conditions Precedent.
- 1.4. On completion of the Proposed Transaction, Ascot will pay consideration in five different stages:
 - Initial Consideration – Carbonos Spain will initially pay the existing holders of Carbonos Golfo ("Minority Holder"), who will continue to hold 10% of the issued shares in Carbonos Golfo, an initial consideration of the lesser of US\$120,000 and the actual costs incurred by the existing shareholders of Carbonos Golfo in respect of certain concession maintenance costs and costs associated with the corporate restructuring of Carbonos Golfo required to enable the acquisition to proceed ("Initial Consideration").
 - Deferred Consideration – within 6 months of Completion (which will occur at the same time as completion of the Carbonos Golfo acquisition agreement), Carbonos Spain must make a further payment to Hampshire Mining equivalent to the reimbursement of actual direct costs incurred by Hampshire Mining in connection with securing its interest in Carbonos Golfo and costs associated with completed geological work to date ("Deferred Consideration"). The quantum of the Deferred Consideration is US\$450,000.
 - Resource Milestone Payment - Carbonos Spain has agreed to pay the Minority Holder resource linked milestone payments amounting to US\$0.009 per tonne of JORC compliant Indicated and

Measured Resource defined on the Urabá Concession, of which US\$0.004 per tonne is payable within 120 days and \$0.005 is payable within 240 days of Resource definition.

- Reserve Milestone Payment - Carbones Spain has agreed to pay the Minority Holder resource linked milestone payments amounting to US\$0.03 per tonne of Proven and Probable Reserve defined on the Concession, of which US\$0.01 per tonne is payable within 12 months and US\$0.02 is payable within 24 months of Reserve definition.
 - Minority Holder free-carry period – the Minority Holder will also be free-carried up to the period that is three years following commercial production, at which time the 10% free-carry will be repaid from 50% of the Minority Holder's share of Carbones Golfo's profits.
- 1.5. Hampshire Mining is a private company associated with Mr Paul Kopejtka, a director of Ascot and Joe Van Den Elson, who was previously a director of Ascot until 6 August 2013. The value of the consideration that will be paid as part of the Proposed Transaction represents more than 5% of the equity interests of the entity. As a result of Hampshire Mining being associated with Paul Kopejtka and Joe van den Elsen, Ascot is required to seek shareholder approval for the Proposed Transaction under ASX Listing Rule 10.1.
- 1.6. This Independent Expert's Report has been prepared to accompany the Notice of Meeting for shareholders for the General Meeting of Ascot to be held on 18 October 2013 at which shareholder approval will be sought for the Proposed Transaction (Resolution 1 – Approval of Urabá Transaction):

Resolution 1 – Approval of Urabá Transaction

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“Subject to the passing of Resolution 2, that, for the purposes of Listing Rule 10.1 and sections 195(4) and 208 of the Corporations Act and for all other purposes, Shareholders hereby approve and authorise the Directors to complete the Urabá Transaction, in accordance with the terms and conditions set out in the Explanatory Statement.”

- 1.7. Although it does not alter our consideration of fairness or reasonableness (because it doesn't involve the issue of any additional consideration), we note that Resolution 2 of the Notice of Meeting must be approved for Resolution 1 to be approved.

Resolution 2 – Approval of financial benefit to Mr Andrew Caruso

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“Subject to the passing of Resolution 1, that, for the purposes of section 208 of the Corporations Act and for all other purposes, Shareholders hereby approve the conferral of a financial benefit on Mr Andrew Caruso, a Director, as a result of the Urabá Transaction, in the manner set out in the Explanatory Statement.”

2. Summary and Conclusion

- 2.1. In our opinion, and for the reasons set out in Sections 9 and 10 of this Report, the Proposed Transaction is **Fair and Reasonable** for the Non-Associated Shareholders of Ascot.

Fairness

- 2.2. In assessing whether the Proposed Transaction is fair to the Non-Associated Shareholders, we have considered whether the value of Carbones Golfo is greater than the value of the consideration.
- 2.3. We have compared the value of cash consideration paid to acquire Carbones Golfo with the value of Carbones Golfo.
- 2.4. We have assessed fairness in three stages. During the first stage we have assessed the value of Carbones Golfo currently and have compared this with the estimated value of Initial Consideration and Deferred Consideration that will be paid. During the second stage we have compared the value of a defined Resource (per tonne) with the value per tonne of milestone payments to be made to the Minority Holder. During the third stage, we have compared the value of a defined Reserve (per tonne) with the value per tonne of milestone payments to be made to the Minority Holder.
- 2.5. We have not valued the Minority Holder free-carry portion of the consideration because we consider the timing and quantum of any payments to be too unpredictable, and as such, we consider any estimate would be misleading.
- 2.6. Our assessment of fairness is set out in the table below:

Assessment of Fairness	Ref	Value of Consideration US\$	Ref	Value of Carbones Golfo US\$		Is Consideration Fair?
				Low	High	
Current Value of Carbones Golfo	9.1	\$539,445	9.4	\$252,984	\$728,049	Yes
Resource Milestone Payments (per tonne)	9.1	\$0.009	9.8	\$0.061	\$0.122	Yes
Reserve Milestone Payments (per tonne)	9.1	\$0.030	9.8	\$0.284	\$0.567	Yes

Table 1: Assessment of Fairness

- 2.7. The value of consideration is within the range of values for the assets being acquired. Also, the future milestone payments are less than the values assessed by Salva.
- 2.8. In our opinion the Proposed Transaction is **Fair** to the Non-Associated Shareholders.

Reasonableness

- 2.9. Regulatory Guide 111 *Content of Experts Reports* (“RG111”) issued by the Australian Securities and Investment Commission (“ASIC”) establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid before the offer closes. In assessing the reasonableness of the Proposed Transaction, we have considered the following factors in our assessment:

- The future prospects of the Company if the Proposed Transaction does not proceed; and

- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.10. The key advantages of the Proposed Transaction are:

- The Proposed Transaction is fair (refer to paragraph 10.4);
- The Proposed Transaction meets the Company's stated objective of increasing its exposure to Colombia (refer to paragraph 10.6);
- The Urabá Concession is prospective for coal with evidence of coal in the concession (refer to paragraph 10.7); and
- The Proposed Transaction improves asset diversity by increasing the prospective acreage and geographical spread (refer to paragraph 10.5).

2.11. The key disadvantages of the Proposed Transaction are:

- Milestone payments set out as part of the Titiribi Transaction may be triggered (refer to paragraph 10.8);
- If a Resource is defined at the Urabá Concession, it may not be economically viable, but a Resource Definition payment will still need to be made (refer to paragraph 10.13);
- If the Proposed Transaction is approved, future outlays of funds will be required in the form of exploration commitments which may place a strain on cash flow (refer to paragraph 10.12); and
- There is a free-carry period for the existing shareholder of Carbones Golfo which will result in Ascot receiving less than the current value of the free-carry cash flows due to the time value of money (refer to paragraph 10.14).

2.12. We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Ascot at this time.

2.13. We understand that if the Proposed Transaction does not proceed then the Company will search for other coal exploration opportunities in Colombia and may also seek exploration tenements for other resources.

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

3. Summary of Proposed Transaction

Overview

- 3.1. We understand that Ascot and Carbones Spain have entered into a conditional, binding Heads of Agreement with Hampshire Mining for the proposed acquisition of Carbones Golfo.
- 3.2. Carbones Golfo is currently the legal and beneficial owner of the Urabá Concession. The current shareholders of Carbones Golfo intend to transfer their respective shareholdings in Carbones Golfo into a Colombian company (referred to as “NuCo CDG”).
- 3.3. At the request of Hampshire Mining, NuCo CDG has agreed to enter into a share purchase agreement with Carbones Spain such that on completion, Carbones Spain will acquire a legal and beneficial interest in 90% of the issued share capital in Carbones Golfo.
- 3.4. On completion of the acquisition, Ascot will acquire a 90% interest in the issued share capital of Carbones Golfo.
- 3.5. The organisation structure of the Ascot Group both pre and post the Proposed Transaction is shown in the charts below:

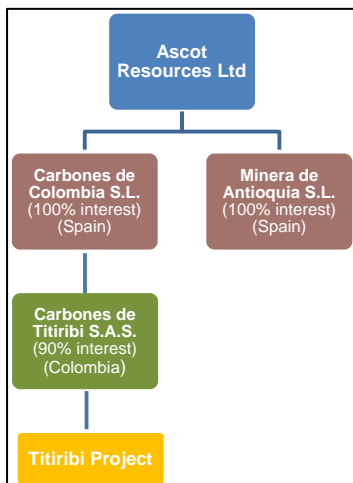


Figure 1: Ascot Group Structure pre-Proposed Transaction

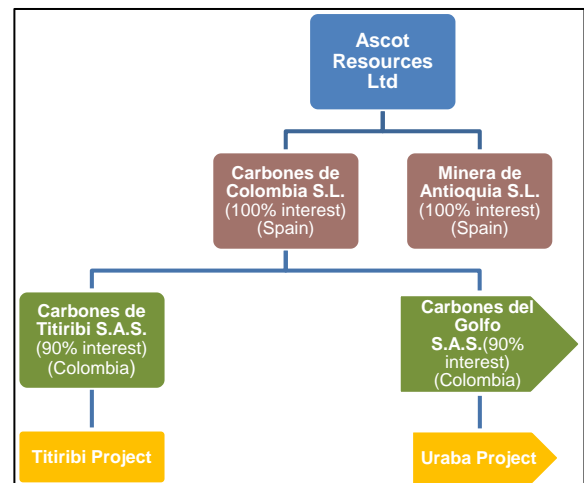


Figure 2: Ascot Group Structure post-Proposed Transaction

- 3.6. On completion of the acquisition, Carbones Spain will pay the Minority Holder an initial consideration of the lesser of US\$120,000 and the actual costs incurred by the existing shareholders of Carbones Golfo in respect of certain concession maintenance costs and costs associated with the corporate restructuring of Carbones Golfo required to enable the acquisition to proceed.
- 3.7. Within 6 months of completion, Ascot must make a further payment to Hampshire Mining equivalent to the reimbursement of actual direct costs incurred by Hampshire Mining in connection with securing its interest in Carbones Golfo and costs associated with completed geological work to date. The quantum of the Deferred Consideration is US\$450,000.

- 3.8. In addition to the Initial Consideration and the Deferred Consideration, Carbones Spain has agreed to pay the existing shareholder of Carbones Golfo the following Resource and Reserve linked milestone cash payments:
- US\$0.009 per tonne of JORC Compliant Indicated and Measured Resource defined on the Urabá Concession, of which US\$0.004 per tonne is payable within 120 days and \$0.005 is payable within 240 days of Resource definition; and
 - US\$0.03 per tonne of JORC Compliant Proven and Probable Reserve defined on the Urabá Concession, of which US\$0.01 per tonne is payable within 12 months and US\$0.02 is payable within 24 months of Reserve definition.
- 3.9. The existing shareholder of Carbones Golfo will also be free-carried up to the period that is three years following commercial production, at which time the 10% free-carry will be repaid from 50% of the existing shareholder's share of Carbones Golfo's profits.
- 3.10. Assets and liabilities that are held in Carbones Golfo are set out in paragraph 6.12.

Rationale for the Proposed Transaction

- 3.11. The Proposed Transaction will increase Ascot's focus on Colombia, creating a more dedicated and defined company strategy. The Urabá Concession is prospective and it contains existing evidence of coal. Ascot has already defined a reserve in the Titiribi Concession approximately 360km north of the Urabá Concession. Successful exploration at the Urabá Concession could result in possible production from two separate assets.

4. Purpose of this Report

ASX Listing Rules

- 4.1. ASX Listing Rule 10.1 states that “*An entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a financial asset to, a related party or a subsidiary without the approval of holders of the entity’s ordinary securities*”.
- 4.2. Hampshire Mining is a private company associated with Mr Paul Kopejtka and Mr Joe van den Elsen, both of whom currently are, or who have been in the previous six months, directors of Ascot. Hampshire Mining is therefore a related party of Ascot.
- 4.3. An asset is considered substantial “*if its value; or the value of the consideration for it is, or in the ASX’s opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX*”.
- 4.4. The equity balance of Ascot as at 31 December 2012 was \$2.97 million, and the current value of Carbones Golfo is estimated at US\$607,926, therefore the Proposed Transaction represents more than 5% of the equity interests of the entity.
- 4.5. Where Shareholder approval is sought, shareholders must be presented with a report on the proposed transaction from an independent expert. The report must state whether the proposed transaction is “fair and reasonable” to non-associated shareholders
- 4.6. Ascot is to hold a meeting of its shareholders where it will seek approval for the Proposed Transaction and the Company has engaged RSMBCC, to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

Basis of Evaluation

- 4.7. In determining whether the Proposed Transaction is “fair and reasonable” we have given regard to the views expressed by the Australian Securities and Investment Commission (“ASIC”) in Regulatory Guide 111 Contents of Expert’s Reports (“RG 111”).
- 4.8. RG 111 provides ASIC’s views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.9. RG 111 states that the expert’s report should focus on:
 - the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.10. Furthermore RG 111 states that in relation to related party transactions the expert’s assessment of fair and reasonable should not be applied on a composite test – that is there should be a separate assessment of whether the transaction is “fair and reasonable” as in a control transaction.
- 4.11. Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
 - Whether the consideration being offered by Ascot for Carbones Golfo is less than the value of Carbones Golfo - fairness; and
 - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction - reasonableness.

4.12. The other significant factors to be considered include:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4.13. Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this report.

5. Profile of Ascot

Overview and history

5.1. Ascot is a Perth based public company listed on the ASX, which engages in the acquisition, exploration, and development of coal assets in Colombia. Ascot was formerly known as Epic Resources Limited. A brief overview of the Company's history is provided in the table below.

Year	Milestone
2011	<ul style="list-style-type: none"> ➤ The Company was admitted to the ASX In February; ➤ In August the Company announced the Quartz Hill site visit results. The Company announced that upon review of the historical and recent sampling results, and as part of the next stage of exploration, the Company would pursue further expansion of mapping and sampling at the Lone Pine and Quartz Hill fields; ➤ In September the Company announced that Mr Morgan Barron had resigned from his role as non-executive chairman and that Mr Robert Jewson had been appointed as a non-executive technical director; ➤ In November the Company announced that it had applied for further prospective tenure adjacent to the Quartz Hill Uranium/Rare Earths Project and had made 3 exploration licence applications adjacent to the Quartz Hill Project.
2012	<ul style="list-style-type: none"> ➤ In February the Company announced that it was acquiring 15,500Ha of coal exploration licences in East Kalimantan, Indonesia. The vendors were paid \$800,000 via an issue of 4 million shares which would give Ascot the potential to acquire up to 100% ownership in the two coal exploration licences; ➤ In May the Company announced that it had terminated the agreement to acquire the East Kalimantan coal properties because conditions precedent for the successful completion of the acquisition of the licenses from the vendors were not met to the satisfaction of the board; ➤ In June the Company announced that it had acquired the Mcphees Gold Project in Western Australia; ➤ In July the Company announced that the three additional exploration licences adjacent to the Quartz Hill Project had been granted; ➤ The Company announced in August that it would acquire 3 Colombian mining licences which have the potential for high quality coal. The vendors would receive an initial consideration of 4.5 million shares and \$200,000 cash. Mr. Paul Kopejtka would join the board as the Executive Chairman and the Company would change its name to Ascot Resources Ltd; ➤ In December the Company changed its name to Ascot Resources Ltd and Mr Andrew Caruso was appointed as the Chief Executive Officer of Ascot. The Company also announced that geological field mapping had been completed, the first phase of the drilling program had been completed, a drilling contractor had been selected and the JORC compliant drilling program was set to commence during Q1 2013.
2013	<ul style="list-style-type: none"> ➤ In March the Company announced that initial drill results showed significant coal intercepts and potential metallurgical coal from the Titiribi Project; ➤ In May, the Company announced that it had entered into a term sheet with Resource Capital Fund for the issue of a 2 year unsecured loan note raising \$1.22 million. The note is convertible at the election of Resource Capital Fund at a conversion price of \$0.18 per share and carries a coupon rate of 14% per annum; ➤ In June, the Company announced that phase 1 drilling at the Titiribi Project had been completed and had identified additional significant coal intercepts; ➤ In July, the Company announced an estimated 8.1Mt maiden JORC coal resource estimate at the Titiribi Project. The Company also announced that it had executed a \$650,000 loan note agreement with Paul Kopejtka, the Executive Chairman. The note is convertible at the election of the note holder at a conversion price of \$0.18 per share and carries a coupon rate of 14%; ➤ In July the Company announced the Proposed Transaction to acquire a 90% interest in the Urabá Coal Concession. ➤ In August, the Company announced that it had entered into a Funding Agreement with Sedgman Limited ("Sedgman") under which Sedgman would subscribe for 5,000,000 shares at an issue price of \$0.10 per share. Sedgman also subscribed for a \$500,000 loan note, which is convertible at the election of the noteholder at a conversion price of \$0.18 per share and carries a 14% coupon.

Table 2: Ascot history (Source: Ascot ASX announcements)

Directors

5.2. A profile of the current board of directors of Ascot is set out in the table below.

Name	Title	Experience
Mr Andrew Caruso	Executive Chairman	Mr Caruso has over 20 years of experience in the mining industry including operations, management and executive roles within Australia and overseas. He spent over five years working in significant Australian coal operations, including two years at BHP Coal in Queensland. For the past two and a half years, he was CEO of Crosslands Resources Ltd. Prior to that, he was the managing Director of Australasian Resources Ltd. Mr Caruso has a Bachelors Degree in Mining Engineering and is a member of the Australian Institute of Company Directors.
Mr Paul Kopejtka	Non-Executive Director	Mr Kopejtka has a Bachelor's degree in chemical engineering and is a member of the Australian Institute of Company Directors. Mr Kopejtka has been associated with a number of Australian listed companies, notably Murchison Metals Ltd, Extract Resources Ltd and Indo Mines Ltd. He was a founding director, shareholder and former Executive Chairman of Murchison Metals.
Mr Francis De Souza	Non-executive Director	Mr De Souza holds a Bachelor of Commerce majoring in Banking and Finance. Mr De Souza has many years of experience in financial services, specialising in corporate advisory and equity markets with a specific focus in the resources sector. Mr De Souza has facilitated a number of resource transactions ranging from reverse takeovers, project evaluations through to capital raisings and initial public offerings. Mr De Souza is the co-founder of Otsana Capital.

Table 3: Profile of Ascot Directors (Source: Ascot FY12 and HY12 annual financial report)

Capital Structure

5.3. At the date of this Report the Company has 39.0 million shares on issue. In addition the Company also has 20.8 million options on issue as summarised in the table below.

Shares currently on issue	Number
Ordinary shares on issue as at the date of this report	38,989,994
Listed Options exercisable at \$0.20 on or before 31 Jan 2014	750,000
Listed Options exercisable at \$0.20 on or before 31 Jan 2014	2,750,000
Employee Incentive options exercisable at \$0.20 on or before 22 Feb 2016	800,000
Executive incentives exercisable for no consideration, subject to vesting conditions on or before 30 June 2015 (refer to paragraph 5.4)	16,500,000
Total options on issue	20,800,000
Fully diluted number of shares on issue	59,789,994
2 year unsecured loan note convertible to shares at \$0.18 (refer to paragraph 5.1)	\$1,220,000
1 year unsecured loan note convertible to shares at \$0.18 (refer to paragraph 5.1)	\$650,000
2 year unsecured loan note convertible to shares at \$0.18 (refer to paragraph 5.1)	\$500,000
Total unsecured notes on issue	\$2,370,000

Table 4: Ascot capital structure (Source: ASX Announcements)

5.4. The executive incentive rights referred to in the previous table were issued to Mr Andrew Caruso. The rights will vest upon the following milestones being achieved:

- Initial consideration on the Titiribi Coal Project – 1,500,000 rights will vest if Mr Caruso remains employed with Ascot during the period ending 7 July 2014.

- Milestone 1 – 1,500,000 rights will vest where, prior to 27 February 2014, the Company successfully defines a 10Mt Inferred Resource in accordance with JORC Guidelines of coal within the area covered by the Licences and any new licences that are acquired by Carbones Spain (“the Project Area”) that meet the minimum specifications (“Minimum Specifications”) set out below:
 - Except as otherwise agreed to by the Company, the minimum specifications means coal that has the following minimum characteristics (on an as received basis):
 - >5,500kcal/kg
 - <15% Ash; and
 - <1% Sulphur.
- Milestone 2 – 1,500,000 rights will vest where, prior to 27 August 2014, the Company successfully defines a 20Mt Inferred Resource in accordance with JORC Guidelines of coal on the Project Area that meets the Minimum Specifications;
- Milestone 3 – 4,500,000 rights will vest if the Ascot share price achieves a 20 day VWAP greater than or equal to \$0.35;
- Milestone 4 – 7,500,000 rights will vest where, prior to 27 February 2015, the Company delineates a 20mt Measured Resource in accordance with JORC guidelines of coal that meets the Minimum Specifications defined in Milestone 1 above.

5.5. Approximately 45% of the Company’s ordinary shares are held by the top 10 shareholders as summarised in the table below.

Holder	Number	Percentage
Sedgman Ltd	5,376,538	13.8%
Kopejtka Paul + Karen	2,550,000	6.5%
Pheakes PI	2,143,875	5.5%
AH Super PI	2,000,000	5.1%
Banks-Smith Katrina F	1,468,225	3.8%
Confadent Ltd	1,050,000	2.7%
Romfal Sifat PI	1,000,000	2.6%
Merrill Lynch Aust Nom PI	788,456	2.0%
Cazaly Res Ltd	625,000	1.6%
Sales Carbocoal + A T S	600,000	1.5%
Total	38,989,994	45.1%

Table 5: Ascot major shareholders (Source: Ascot share register 3 September 2013)

Share Price and Performance

5.6. A summary of Ascot's recent share price and volume is set out in the figure below.

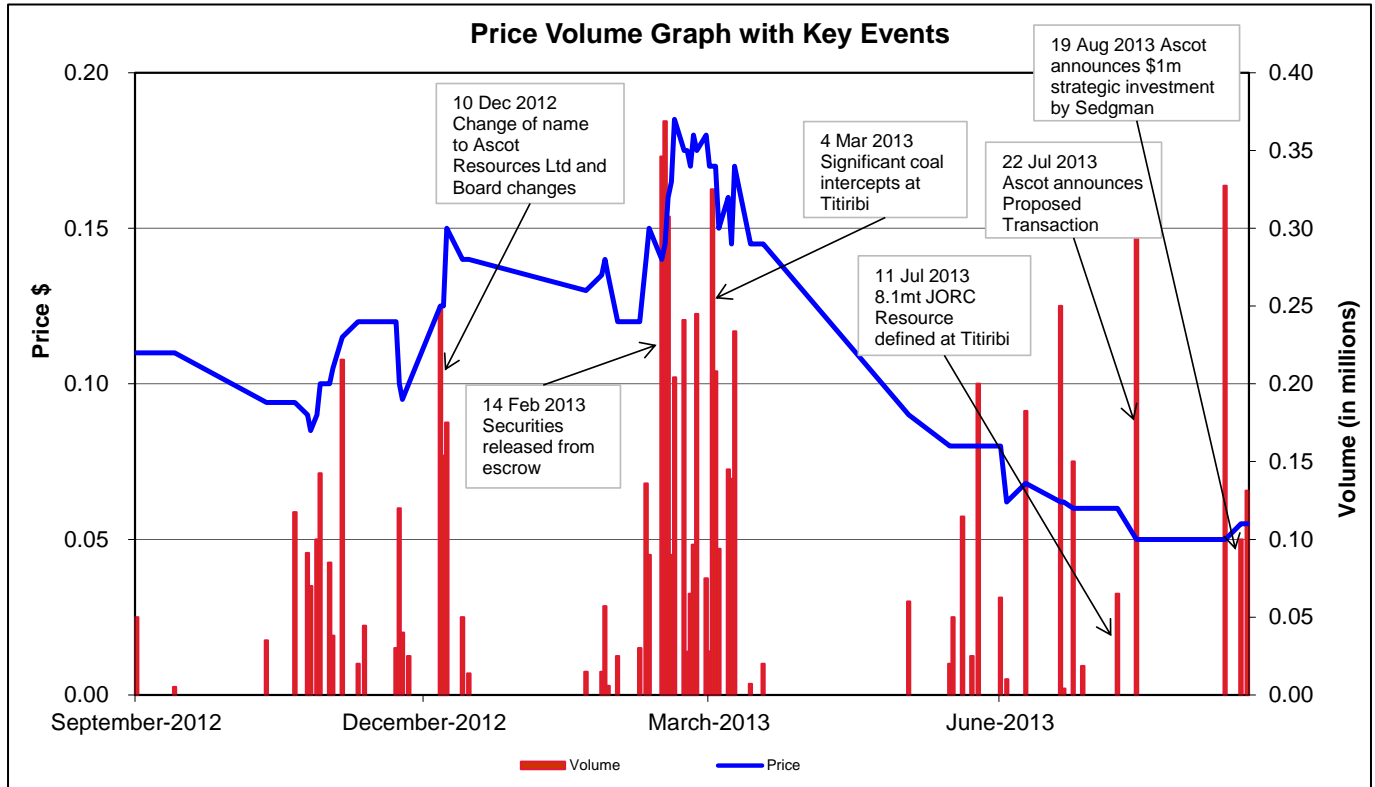


Figure 3: Ascot Daily Closing Share Price and Traded Volumes (Source: S&P Capital IQ)

5.7. We make the following comments with regard to Ascot's recent share price performance:

- In the 12 months prior to the Proposed Transaction, Ascot's shares have traded between a high of \$0.19 on 4 March 2013 to a low of \$0.05 on 18 July 2013;
- Since mid-July 2013 the Company's shares have traded between \$0.05 and \$0.07;
- Since March 2013, there has been little trading activity in Ascot's shares, when shares have been traded the volume has always been thin;
- The highest level of turnover occurred on 19 February 2013 which was 5 days after 3.3 million Ascot securities had been released from escrow. Between 9 August 2012 and 9 August 2013 a total of 8.04 million shares were traded out of a weighted average of 29.57 million shares on issue representing annual turnover of 27.2%. This is considered to be relatively illiquid;
- There was an increase in the volume of shares traded between February and March 2013 with the highest volume of shares traded occurring during the month of February; and
- Since the Proposed Transaction was announced on 22 July 2013, there has been minimal trading activity in Ascot shares, with shares only trading on 3 days since the announcement at a low price of \$0.05 per share and a high price of \$0.067 per share. The share price has therefore remained relatively flat since the Proposed Transaction was announced.

Projects

Titiribi Project

- 5.8. Ascot's major asset is its 90% JV interest in the Titiribi Coal Project located in the Department of Antioquia, Colombia. This region is known for its high quality coal. With the Project site being located only 70km from the State Capital Medellin, it is close to existing utilities and infrastructure, including the Pacific port of Buenaventura which is 500km away by road.
- 5.9. The coal deposit is situated in a valley on the western flank of the Andes and adjacent to a major highway that hosts coal transport trucks. It is envisaged by Ascot that mining will focus around three primary seams, truncated by a number of cross-cutting faults and exploitable by open-cut mining methods.
- 5.10. The phase 1 drilling program resulted in a maiden resource of 8.1mt which includes 5.2mt in the measured category, 2.2mt in the inferred category and 0.7mt in the indicated category.
- 5.11. Following the release of the maiden JORC resource, Ascot has finalised a pre-feasibility study based on open-pit mining of a semi-soft, high volatility metallurgical coal. The results of the pre-feasibility were announced on the ASX on 26 August 2013. The pre-feasibility study confirmed the technical and economic feasibility for a starter mining operation at the Titiribi Coal Project.

McPhees Gold Project

- 5.12. Ascot is currently exploring opportunities to divest its interest in the underlying tenements.

Financial Performance

Ascot

5.13. The financial performance of Ascot for the year ended 30 June 2013 (“FY13”) and the year ended 30 June 2012 (“FY12”) is set out in the table below.

Ascot Statement of Financial Performance		Year ended 30-Jun-13 <i>Unaudited</i> <i>Unconsolidated</i>	Year ended 30-Jun-12 <i>Audited</i>
	Ref	\$	\$
Revenue			
Other Income	5.16	103,444	180,668
Expenses			
Directors fees and other benefits		(101,935)	(119,600)
Share-based payments		-	(41,610)
Administration expense	5.17	(1,864,375)	(284,220)
Impairment of exploration and evaluation expenditure	5.18	(335,831)	(96,570)
Loss from continuing purposes before income tax		(2,198,697)	(361,332)
Income tax expense		-	-
Loss attributable to members of Ascot		(2,198,697)	(361,332)
Other comprehensive income for the period		(29,712)	-
Total comprehensive loss for the period attributable to members of Ascot	5.15	(2,228,409)	(361,332)
Titiribi exploration expenditure	5.19	(1,926,487)	(1,926,487)

Table 6: Ascot financial performance for FY13 and FY12 (Source: Ascot FY13 Management Accounts)

- 5.14. We have not been provided with consolidated accounts to 30 June 2013. As such, the accounts presented above are for the parent entity only.
- 5.15. The Company disclosed a loss after tax of \$2.23 million for the year ended 30 June 2013 (a loss after tax of \$361,332 for the year ended 30 June 2012).
- 5.16. The Company generated interest on cash deposits during FY12 and FY13. During FY13 the Company earned a small amount of rental income in addition to the interest on cash deposits.
- 5.17. Significant items included in the administration expense during FY13 included consulting fees of \$251,098, management fees of \$448,580, legal and professional fees of \$142,038, wages and salaries of \$291,079 and travel expenses of \$192,775.
- 5.18. The impairment of exploration and evaluation expenditure relates to the Quartz Hill project.
- 5.19. Expenditure relating to Carbones De Titiribi has been translated from Colombian Pesos using the average AUD/COP exchange rate between 1 July 2012 and 30 June 2013 of 1:1,790. The expenses incurred by Carbone De Titiribi relate primarily to exploration activities performed on the Titiribi Project.

Financial Position

Ascot

5.20. The financial position of Ascot as at 30 June 2013 and 30 June 2012 is set out in the table below.

Ascot Statement of Financial Position	Ref.	As at 30-Jun-13 <i>Unaudited</i> <i>Unconsolidated</i> \$	As at 30-Jun-12 <i>Audited</i> \$
Current Assets			
Cash and cash equivalents	5.21	650,072	3,461,140
Trade and other receivables		22,362	12,281
Other assets	5.23	1,212,555	6,665
Total Current Assets		<u>1,884,989</u>	<u>3,480,086</u>
Non-Current Assets			
Plant & equipment		59,822	3,218
Exploration & evaluation expenditure	5.24	661,095	354,870
Investment in Carbones de Colombia		500,000	-
		<u>1,220,917</u>	<u>358,088</u>
Total Assets		<u>3,105,906</u>	<u>3,838,174</u>
Current Liabilities			
Trade and other payables		288,571	12,432
Loans payable	5.25	1,220,000	-
Total Current Liabilities		<u>1,508,571</u>	<u>12,432</u>
Total Liabilities		<u>1,508,571</u>	<u>12,432</u>
NET (LIABILITIES)/ASSETS		<u>1,597,335</u>	<u>3,825,742</u>
EQUITY			
Issued capital		4,192,912	4,192,912
Share based payments reserve		355,123	355,123
Accumulated losses		(2,950,700)	(722,293)
TOTAL EQUITY		<u>1,597,335</u>	<u>3,825,742</u>

Table 7: Ascot financial position as at 30 June 2013 and 30 June 2012 (Source: Ascot HY13 financial report and HY12 financial report)

- 5.21. Ascot had a cash position of approximately \$650,000 as at 30 June 2013. We note that \$650,000 convertible notes were issued to Paul Kopejtka on 16 July 2013. On 19 August 2013 Ascot announced that Sedgman Ltd would make a \$1 million strategic investment in Ascot by way of \$500,000 of equity based funding and a \$500,000 unsecured loan note. It is likely that if the Proposed Transaction proceeds, further funding will be required in order to pursue exploration and development activities.
- 5.22. We have not been provided with consolidated accounts to 30 June 2013. As such, the accounts presented above are for the parent entity only.
- 5.23. Other assets consist of loans receivable (\$1,202,355) from Carbones Titiribi and prepayments (\$10,200).

- 5.24. Of the capitalised exploration and evaluation expenditure as at 30 June 2013 \$624,832 relates to the Titiribi Project and \$36,263 relates to the McPhees Project.
- 5.25. The loan payable relates to a convertible note issued to Resource Capital Fund. On 16 July 2013, a \$650,000 convertible note was issued to Paul Kopejtka which is not included in these accounts.

Carbones De Titiribi

- 5.26. The financial position of Carbones De Titiribi as at 30 June 2013 is set out in the table below.

Carbones De Titiribi Statement of Financial Position		As at 30-Jun-13 Unaudited
	Ref	\$
Current Assets		
Cash and cash equivalents		233,864
Trade and other receivables		(296,386)
Total Current Assets		<u>(62,522)</u>
Non-Current Assets		
Plant & equipment		10,763
Exploration & evaluation expenditure		1,955,991
		<u>1,966,754</u>
Total Assets		<u>1,904,232</u>
Current Liabilities		
Trade and other payables		201,409
Accruals and provisions		438,705
Other liabilities	5.27	1,262,984
Total Current Liabilities		<u>1,903,098</u>
Total Liabilities		<u>1,903,098</u>
NET (LIABILITIES)/ASSETS		<u>1,134</u>
EQUITY		
Issued capital		1,134
TOTAL EQUITY		<u>1,134</u>

Table 8: Carbones de Titiribi financial position as at 30 June 2013 (Source: FY13 Management Accounts)

- 5.27. The other liabilities balance relates mainly to a loan from Ascot that has been used to fund the exploration and evaluation activities of Carbones Titiribi and the pre-feasibility study (see paragraph 5.23). These loan balances would on consolidation offset each other.

6. Profile of Carbones Golfo

Urabá Concession

- 6.1. The Urabá Concession is located in the northern most part of Antioquia Department within a distance of 25km from the small Caribbean port of Turbo.
- 6.2. The ED4-152 concession (owned by Carbones Golfo) has a total area of 4,971 Ha. This permit was granted in 2007 and expires in 2037.
- 6.3. Total coal exploration and study expenditure during FY12 and FY13 was \$428,000 in total. Estimated exploration expenditure for FY14 is \$555,000.
- 6.4. Occurrences of coal beds have been reported at the Urabá Concession. Very limited exploration activity has been conducted so far and the project is yet to be explored in detail. A number of trenches have been dug to uncover coal seams at various locations throughout the concession.
- 6.5. Preliminary assay results from the coal surface samples and trenching of weathered outcropping coal indicated a reasonably high rank thermal coal.
- 6.6. From the capital city of Medellin, the Project area is accessible by a road network with a total distance of 420km. The network consists of paved roadway which is generally in good condition.
- 6.7. An image of the Urabá Project location is shown below:

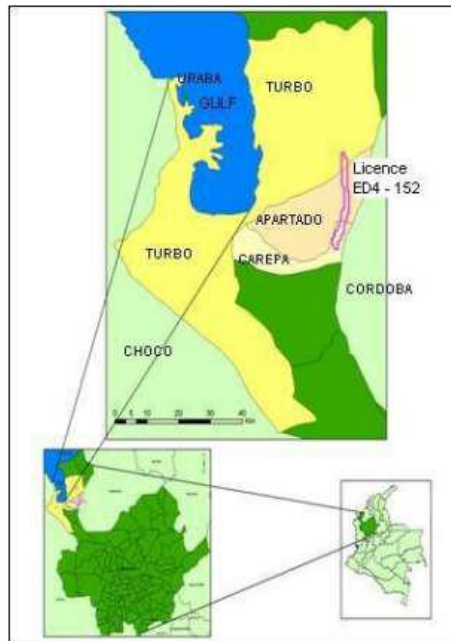


Figure 4: Urabá Project (Source: Salva Report)

Financial Performance

Carbones Golfo

6.8. The financial performance of Carbones Golfo for the year ended 30 June 2013 (“FY13”) is set out in the table below.

Carbones Golfo Statement of Financial Performance	Year ended 30-Jun-13 Unaudited \$
Income	
Non-operating income	53,091
Expenses	
Administration & operational costs	(164,636)
Non-operating expenses	(11,853)
Loss before tax	(123,399)
Tax	-
Net loss after tax	(123,399)

Table 9: Carbones Golfo financial performance for FY13 (Source: Carbones Golfo FY13 Management Accounts)

- 6.9. Figures in the statement of financial performance have been translated from Colombian Pesos using the average AUD/COP exchange rate between 1 July 2012 and 30 June 2013 of 1:1,790.
- 6.10. During FY13 Carbones Golfo made a net loss after tax of \$123,399.
- 6.11. Costs relating to the Urabá Concession have been capitalised so there are few expenditures in the statements of financial performance.

Financial Position

Carbones Golfo

6.12. The financial position of Carbones Golfo as at 30 June 2013 is set out in the table below.

Carbones Golfo Statement of Financial Position		As at 30-Jun-13 <i>Unaudited</i> \$
	Ref	
Current Assets		
Cash and cash equivalents		5,456
Trade and other receivables		974
Total Current Assets		<u>6,430</u>
Non-Current Assets		
Plant & equipment		18,576
Deferred charges & operating expenses	6.15	976,558
		<u>995,135</u>
Total Assets		<u>1,001,564</u>
Current Liabilities		
Trade and other payables	6.14	192,681
Total Current Liabilities		<u>192,681</u>
Total Liabilities		<u>192,681</u>
NET (LIABILITIES)/ASSETS		<u>808,884</u>
EQUITY		
Issued capital		1,001,736
Retained losses		(192,852)
TOTAL EQUITY		<u>808,884</u>

Table 10: Carbones Golfo financial position as at 30 June 2013 (Source: FY13 Management Accounts)

- 6.13. Balances as at 30 June 2013 have been translated from Colombian Pesos using the AUD/COP exchange rate on 30 June 2013 of 1:1,763.
- 6.14. The trade and other payables balance is mainly comprised of amounts payable to shareholders.
- 6.15. Deferred charges and operating expenses relate to costs incurred on the Urabá Concession, however, we have not been provided with details of these costs.

7. Profile of the Coal Industry in Colombia

- 7.1. Colombia has the largest identified coal resources in South America. Compared to other regions in the South American continent, the unique geological conditions prevalent in Colombia were more conducive to coal formation¹.
- 7.2. Geographically, Colombia is a country largely dominated by the northern extension of the Andes Mountain Chain. The Andes Mountains split into three distinct mountain ranges as they enter the southern part of the country. These relative young mountains are steep sided and have relatively high elevations. These three distinct mountain ranges are identified as three distinct cordilleras. Cordillera Occidental (West Cordillera), Cordillera Central (Central Cordillera) and Cordillera Oriental (East Cordillera)¹.
- 7.3. Most of the thermal coal deposits present in Colombia are located in north eastern plains of the country with the largest situated in the Guajira and Cesar departments. These coal mines have very large resource base with favourable stripping ratio¹.
- 7.4. Colombian surface mineable coal seams are lie reasonably flat, or if dipping, they tend to dip at a steep angle. they have relatively limited depth of cover. Thermal coal produced in Colombia is generally bituminous in rank and has low ash and sulphur content¹.
- 7.5. Emerging coking coal provinces are located in the central and southern regions, where infrastructure is limited. Most of the coking coal produced in Colombia comes from underground mining operations with very difficult geological conditions. These underground coal seams often dip at an angle of 30 degrees or more which restricts the deployment and manoeuvring of underground mining equipment¹.
- 7.6. Colombia is the largest producer of coal in South America and 5th largest exporter in the world. Coal production is mostly controlled by large, global mining companies who own and manage their own production and raw materials supply chains, including rail and port capacity. Carbones del Cerrejon (33Mtpa), the largest Colombian producer, is owned in equal shares by Anglo American, BHP Billiton and Glencore-Xstrata. Other major producers include, Drummond International, Glencore and Goldman Sachs¹.

¹ Salva Valuation Report, 2013

8. Valuation approach

Assessment of Fairness

- 8.1. As previously stated, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered whether the value of Carbones Golfo is greater than the value of the consideration paid to acquire a 90% interest in Carbones Golfo.
- 8.2. We have compared the value of cash consideration paid to acquire Carbones Golfo with the value of Carbones Golfo.
- 8.3. If the value of cash consideration paid to acquire Carbones Golfo is less than the value of Carbones Golfo, then the Proposed Transaction will be fair. If the value of cash consideration paid to acquire Carbones Golfo is greater than the value of Carbones Golfo, then the Proposed Transaction will not be fair.

Value of Consideration

- 8.4. The value of consideration being paid to acquire Carbones Golfo is comprised of five parts:
- Initial Consideration - the lesser of US\$120,000 and the actual costs incurred by the existing shareholders of Carbones Golfo in respect of certain concession maintenance costs and the costs associated with the corporate restructuring of Carbones Golfo required to enable the acquisition to proceed. This will be assumed as US\$120,000.
 - Deferred Consideration - payment to Hampshire Mining must be made within 6 months of completion equivalent to the reimbursement of actual direct costs incurred by Hampshire Mining in connection with securing its interest in Carbones Golfo and costs associated with completed geological work to date. The value of Deferred Consideration is US\$450,000.
 - Resource Milestone Payment - Carbones Spain has agreed to pay the existing shareholder of Carbones Golfo, Resource linked milestone payments amounting to US\$0.009 per tonne of Indicated and Measured Resource defined on the Concession, of which US\$0.004 per tonne is payable within 120 days and \$0.005 is payable within 240 days of Resource definition.
 - Reserve Milestone Payment - Carbones Spain has agreed to pay the existing shareholder of Carbones Golfo, Reserve linked milestone payments amounting to US\$0.03 per tonne of Proven and Probable Reserve defined on the Concession, of which US\$0.01 per tonne is payable within 12 months and US\$0.02 is payable within 24 months of Reserve definition.
 - Minority Holder free-carry period – the existing shareholder of Carbones Golfo will also be free-carried up to the period that is three years following commercial production, at which time the 10% free-carry will be repaid from 50% of the existing shareholder's share of Carbones Golfo's profits.
- 8.5. We have valued the Initial Consideration, Resource Milestone Payment and Reserve Milestone at face/cash value and have valued the Deferred Consideration at discounted value as illustrated in paragraph 9.2.
- 8.6. We have not valued the Minority Holder free-carry period due to the uncertainty of the timing and quantum of cash payments that would potentially be made.

Value of Carbones Golfo

- 8.7. In assessing the value of Carbones Golfo, we have considered the assets and liabilities of Carbones Golfo on a going concern basis, including an independent value of the Urabá Concession. We have used this methodology because Carbones Golfo is currently in very early stages of operation and does not generate any revenue, meaning the business can't be valued using an earnings based methodology.

- 8.8. Other valuation methodologies that we considered but concluded were inappropriate, were the capitalisation of future maintainable earnings and the discounted cash flow methodologies. We considered these methodologies to be inappropriate because Carbones Golfo does not have a history of profits and does not prepare forecasts.
- 8.9. ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. We determined the need for a specialist's involvement with regard to valuing Carbones Golfo's interest in the Urabá Concession.
- 8.10. We have engaged Salva Resources Pty Limited ("Salva") to prepare an independent technical report providing a value of the Urabá Concession and a \$/t value Indicated and Measured Resources and Proven and Probable Reserves and have compared Salva's assessed value per tonne of Reserves and Resources with the Milestone Payments described above.
- 8.11. Salva's report has been prepared in accordance with the requirements of the VALMIN code. We have satisfied ourselves as to Salva's qualifications and independence from Ascot and have placed reliance on their report. A copy of Salva's report is attached at Appendix C.
- 8.12. Salva used a combination of the Market Based Valuation Method and the Appraised Value Approach to value the Urabá Concession. We note that these comparable transaction based methodologies do not necessarily consider the intricate details of a specific transaction; however, given the early development stage of the Urabá Concession, we consider development on these methodologies to be appropriate and that Salva have applied their own analysis of the comparability of comparable transactions to the Urabá Concession.
- 8.13. We have reviewed Salva's valuation and consider these methods reasonable.

9. Is The Proposed Transaction Fair?

Value of Consideration

9.1. The value of the consideration that will be paid to acquire Carbones Golfo is set out in the table below:

	Ref	Value of Consideration US\$
Initial Consideration	8.5	\$120,000
Present Value of Deferred Consideration	9.2	\$419,445
Total		\$539,445
Milestone Payments		
Resource (US\$ per tonne)	8.5	\$0.009
Reserve (US\$ per tonne)	8.5	\$0.030

Table 11: Value of consideration to Acquire Carbones Golfo Concession

9.2. We have assumed that the amount of deferred consideration that will be paid by Ascot is US\$500,000. As this amount will only be paid six months after completion, we have discounted the payment using Ascot's calculated Weighted Average Cost of Capital ("WACC") of 18.8%. For details of the WACC calculation refer to Appendix D. The calculation of the present value of deferred consideration is shown in the table below:

Present Value of Deferred Consideration	Ref	US\$
Deferred Consideration	8.4	\$450,000
WACC	Appendix D	15.1%
Discount Period (years)	9.2	0.5
Discount factor		0.932
Present Value		\$419,445

Table 12: Present Value of Deferred Consideration

Assessed Value of Carbones Golfo

9.3. We have assessed the current value of Carbones Golfo using the net assets on a going concern valuation methodology. In our assessment we have considered 90% of the value of Carbones Golfo's assets and liabilities.

9.4. The value of the Urabá Concession, as assessed by Salva, is set out in the table below. The current value of 90% of the Urabá Concession represents the value of this concession as assessed by Salva in their report which is attached at Appendix C.

Value of Carbones Golfo	Ref	Low Value			High Value		
		100% Interest AUD\$	90% Interest	Assessed Value US\$	100% Interest AUD\$	90% Interest	Assessed Value US\$
Net assets	6.12	\$808,884			\$808,884		
Less: Deferred charges & operating expenses	6.12	-\$976,558			-\$976,558		
Add: Value of Uraba Concession	9.5	\$480,000			\$1,066,500		
Total value of Carbones Golfo		\$312,325	\$281,093	\$252,984	\$898,825	\$808,943	\$728,049

Table 13: Assessed Value of Carbones Golfo

- 9.5. We have replaced the value of deferred charges and operating expenses with the value of a 90% interest in the Urabá Concession per Salva's report which is attached at Appendix C (between \$532,000 and \$1.491 million under the market based method and between \$428,000 and \$642,000 under the cost based method). The average high value and average low value of the two methods has been used in the table above. The AUD\$/US\$ exchange rate we have applied is 0.90.
- 9.6. Under the market based method, Salva has found comparable transactions and assessed the value per hectare that was paid for exploration rights to various similar concessions. Salva has excluded certain transaction which are not comparable and has taken the average \$/hectare that was paid on comparable concessions as their preferred value.
- 9.7. Under the cost based method, Salva has capitalised historical and forecast exploration expenditure at the Urabá Concession. In calculating the value of the Urabá Concession, we have deducted the cost of future exploration commitments of \$555,000 from Salva's cost base valuation because Ascot will incur these costs in order to realise that value.
- 9.8. The value per tonne of coal Reserves and Resources, as assessed by Salva, is set out in the table below. The AUD\$/US\$ exchange rate we have applied is 0.90.

Value of Reserves and Resources	Low US\$	High US\$
Value of Resource (per tonne)	\$0.061	\$0.122
Value of Reserve (per tonne)	\$0.284	\$0.567

Table 14: Assessed Value of Reserves and Resources

- 9.9. In calculating a value per tonne of reserves and resources, Salva has used the comparable transaction method where they have reviewed the amount that was paid per tonne of coal reserve and resource in comparable transactions.
- 9.10. The value of a Resource and Reserve per tonne has been obtained from Salva's valuation report which is attached at Appendix C. The adjustments have been made to reflect the value of a 90% interest in the Urabá Concession.

Assessment of Fairness

- 9.11. We have compared our preferred value of Carbones Golfo, and the preferred value per tonne of coal Reserves and Resources, with the value of the consideration being paid for Carbones Golfo; as set out in the table below:

Assessment of Fairness	Ref	Value of Consideration US\$	Ref	Value of Carbones Golfo US\$		Is Consideration Fair?
				Low	High	
Current Value of Carbones Golfo	9.1	\$539,445	9.4	\$252,984	\$728,049	Yes
Resource Milestone Payments (per tonne)	9.1	\$0.009	9.8	\$0.061	\$0.122	Yes
Reserve Milestone Payments (per tonne)	9.1	\$0.030	9.8	\$0.284	\$0.567	Yes

Table 15: Assessment of fairness

9.12. Refer to Appendix C for a copy of Salva's valuation report.

Conclusion on Fairness

9.13. The value of consideration is within the range of values for the assets being acquired. Also, the future milestone payments are less than the values assessed by Salva.

9.14. The criteria shown in Table 15 have been assessed as fair; therefore we have assessed the Proposed Transaction as being fair.

9.15. In our opinion the Proposed Transaction is fair to the Non-Associated Shareholders.

10. Is The Proposed Transaction Reasonable?

10.1. RG111 establishes that an offer is reasonable if it is fair. Given that we have concluded that the Proposed Transaction is fair to the Non-Associated Shareholders of Ascot, the Proposed Transaction is reasonable. Notwithstanding our conclusion of the fairness of the Proposed Transaction, we have given consideration to:

- The future prospects of Ascot if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future Prospects of Ascot if the Proposed Transaction Does Not Proceed

10.2. We understand that if the Proposed Transaction does not proceed then the Company will search for other coal exploration opportunities in Colombia and may also seek exploration tenements for other resources.

Advantages and Disadvantages

10.3. In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds than if it does not, we have compared various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages

Advantage 1 – Proposed Transaction is Fair

10.4. RG 111 states that a transaction is reasonable if it is fair.

Advantage 2 – Diversification of projects

10.5. If approved, the Proposed Transaction may reduce risk in the Company's operating profile through increased project diversity. Ascot's focus on Colombia will no longer be dependent on the success of one Concession.

Advantage 3 – Increased focus on Colombia

10.6. The Proposed Transaction meets the Company's stated objective of increasing its exposure to Colombia. This will allow management to focus on a specific region and the risks and challenges unique to that region. If the Company increases its exposure to Colombia it may be well placed to benefit from increasing coal demand in the region and there may be synergistic advantages to operating at both the Titiribi Concession and the Urabá Concession.

Advantage 4 – Urabá Concession appears prospective

10.7. The Urabá Concession appears prospective for coal with evidence of coal in the concession. Previous exploration activities have yielded evidence of coal at the Urabá Concession. This means that Ascot will be exploring on a brownfields concession and it provides Ascot with a better chance of discovering a coal resource.

Disadvantages

Disadvantage 1 – Increases the chance that Milestone payments set out as part of the Titiribi Transaction may be triggered

- 10.8. Ascot completed a transaction in late 2012 where it acquired 90% of the issued equity in Carbones de Titiribi which owns certain coal licences in Colombia (the “Titiribi Concession”). The Titiribi transaction included the following milestone payments relating to the size and classification of the Resource:
- Milestone 1 – where, prior to 27 February 2014, the Company successfully defines a 10Mt Inferred Resource of coal within the Project Area that meet the minimum specifications referred to in paragraph 5.4, the Company will issue to Ascot Equities Pty Ltd a further 11,000,000 shares.
 - Milestone 2 – where, prior to 27 August 2014, the Company successfully defines a 20Mt Inferred resource of coal on the Project Area that meets the Minimum Specifications, the Company will issue a further 11,500,000 shares to Ascot Equities Pty Ltd;
 - Milestone 4 – where, prior to 27 February 2015, the Company successfully defines a 20Mt Measured Resource of coal on the Project Area that meets the minimum specifications, the Company will issue to Ascot Equities Pty Ltd a further 38,760,000 shares.
- 10.9. Under the Proposed Transaction the Project Area has been expanded to include the Urabá Concession. This means that if an Inferred or Measured resource is defined at the Urabá Concession, it may result in 1 or more of the Milestones mentioned above being triggered. If 1 or more of the milestones described above is triggered, it will have a dilutive effect on the shareholdings of Non-Associated Shareholders.
- 10.10. The phase 1 drilling program at Titiribi resulted in a maiden resource of 8.1mt which includes 5.2mt in the measured category, 2.2mt in the inferred category and 0.7mt in the indicated category. This means that if a further 1.9mt of inferred resource is defined prior to the relevant cut-off date, Milestone 1 will be triggered; if a further 11.9mt of inferred resource is defined prior to the cut-off date Milestone 2 will be triggered and if a further 14.8mt of measured resource is defined prior to the cut-off then Milestone 3 will be triggered.

Disadvantage 2 – Increasing exposure to risks of operating in Columbia

- 10.11. If the Proposed Transaction is approved, the Company will be changing the scale of its activities in Columbia. This will result in an increase in exposure to social, political, economic and other uncertainties, including the risk of expropriation and nationalisation.

Disadvantage 3 – Cash flow Impact

- 10.12. If the Proposed Transaction is approved, it will have a cash flow impact on Ascot. Ascot will need to make the initial consideration payment and the deferred consideration payment as well as Milestone payments based on the amount of Reserves and Resources defined at the Urabá Concession. If Ascot does not have sufficient cash to make these payments as and when they fall due, additional capital will need to be raised. As at 30 June 2013, Ascot had approximately \$650,000 of cash. A loan note was issued on 16 July 2013 for \$650,000 and Sedgman has agreed to a \$1 million strategic investment in Ascot by means of a share placement and the issue of a loan note. Ascot has forecast approximately \$555,000 of exploration expenditure at the Urabá Concession during the financial year ending 30 June 2014.

Disadvantage 4 – Resource may not be economically viable

10.13. The acquisition of the Urabá Concession may not identify an economically viable Resource, however the Resource Milestone Payment will still need to be made. This means that Ascot would have to make a payment for resources discovered but may not derive any economic benefit from the discovered resources.

Disadvantage 5 – Free carry period for existing Carbones Golfo shareholder

10.14. The financial benefit that the existing shareholder of Carbones Golfo will receive as a result of the free-carry period will be worth more than the cash flows that Ascot will receive from the existing shareholder because the existing shareholder will receive the benefit initially and Ascot will only be reimbursed in the future. Due to the time value of money, the reimbursement to Ascot will be worth less than the initial benefit received by the existing shareholder.

Alternative Proposal

10.15. We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of Ascot a greater benefit than the Proposed Transaction.

Conclusion on Reasonableness

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

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

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD



A J GILMOUR
Director



G YATES
Director

APPENDIX A

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Andrew Gilmour and Mr Glyn Yates are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders of Ascot Resources Limited in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of Ascot Resources Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of \$20,000 based on time occupied at normal professional rates for the preparation of this Report. In addition RSM Bird Cameron Partners will invoice Ascot Resources Limited fees for the provision of due diligence services, taxation and accounting advice in relation to the Proposed Transaction. All fees are payable regardless of whether Ascot Resources Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

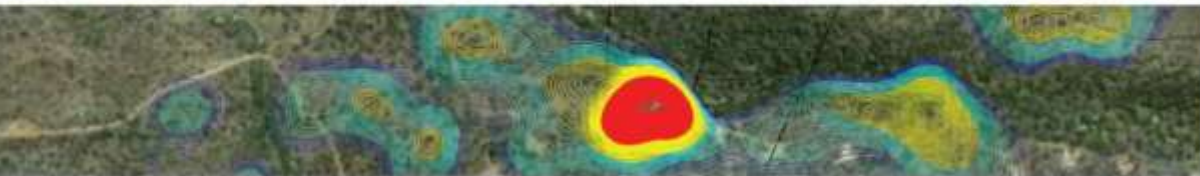
RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

APPENDIX B

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

- Ascot audited financial statements for the year ended 30 June 2012 and the 6 month period ended 31 December 2012.
- Ascot P&L and balance sheet for the year ended 30 June 2013.
- Carbone Golfo P&L and balance sheet for the year ended 30 June 2013.
- Carbones de Tiitiribi P&L and balance sheet for the year ended 30 June 2013.
- Notice of Meeting and Explanatory Statement for the meeting of Ascot shareholders.
- Binding Heads of Agreement between Ascot, Carbones Spain and Hampshire Mining.
- Ascot share register listing provided by management.
- Information provided by Ascot management through meetings and correspondence.
- Capital IQ, IBIS World and other financial databases and subscription services.
- Publicly available information including ASX announcements.

APPENDIX C – Salva Mineral Asset Valuation Report



Ascot Resources Ltd

Independent Mineral Asset Valuation Report
Urabá Coal Mining Concession, Colombia

Prepared for RSM Bird Cameron Corporate Pty Ltd
September 2013

Ascot Resources

Independent Valuation Report - Urabá Coal Mining Concession,
Colombia

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Key abbreviations

ASL	Above Sea Level
Anticline	An anticline is a fold that is convex, with older layers closer to the centre or core
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Ascot	Ascot Resources Limited
\$ or AUD	Australian dollars
AusIMM	Australian Institute of Mining and Metallurgy
cc	Cubic Centimeter
CAD	Canadian Dollars
Cretaceous	Geological period (70 million years to 140 million years ago)
CDG	Carbones del Golfo S.L
DCF	Discounted cash flow
EEM	Exploration expenditure multiples (method of mineral valuation)
FY	Australian Financial Year, runs between July and June
Formation	A formation consists of a certain number of rock strata units that have a comparable lithology, facies, or other similar properties
Gm	Gram
Gemi	Gemi S.A.
Ha	Hectare(s)
JORC	2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
km	Kilometre(s)
km ²	Square kilometre(s)
M	Million
Member	A lithostratigraphic unit of subordinate rank, comprising some specially developed part of a Formation
Mesozoic	Geological era (70 million years to 250 million years ago)
Mt	Millions of tonnes
Mtpa	Millions of tonnes per annum
NPV	Net present value
NTA	Net tangible assets
HDR Salva	Salva Resources Pty Ltd
RD	Relative density
Syncline	A syncline is a fold that is concave, with younger layers closer to the centre of the structure or core
T	Tonne
USD	United States Dollar
VALMIN	2005 Edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports

Executive Summary

RSM Bird Cameron Corporate Pty (“RSMBCC”) has engaged Salva Resources Pty Ltd (“HDR | Salva”) to prepare Independent Valuations of the mineral assets owned by Carbones del Golfo S.A (“CDG”), being the coal concession ED4-152 which comprises the Urabá Project (the Project), located in the Department of Antioquia, Colombia. Salva understands that this report will be relied on by RSMBCC within its Independent Expert’s Report (“IER”) as part of the proposed transaction to be presented to Ascot Resources Ltd. (“Ascot” or the “Company”) shareholders.

The Urabá concession is located in the northern most part of Antioquia Department located in the northwest part of Colombia within the municipalities of Turbo, Apartadó and Carepa. It lies on the eastern flank of the valley of Rio Currulao and located within a distance of 25 km from the small Caribbean port of Turbo. The Currulao River runs through part of the concession zone from south to north.

The ED4-152 concession (owned by CDG) has a total area of 4,971 Ha. Occurrences of coal beds have been reported in upper Pavo unit of the Floresanto Formation. Earlier works completed by Gemi S.A. (“Gemi”) identified five different coal blocks comprising of 17 different coal seams of 0.6m to 6m in thickness. The coal seams dip to the east at varying degrees from 450 to 700. Very limited exploration activity has been conducted so far and the project is yet to be explored in detail. A number of trenches have been dug to uncover coal seams at various locations throughout the concession.

Preliminary Assay results from the coal surface samples and trenching of weathered outcropping coal indicated a reasonably high rank thermal coal.

HDR | Salva’s opinion of the fair market value of 100% of CDG’s mineral assets lies in the range of \$0.75 M to \$1.49 M with a preferred value of \$1.12 M. This results in the fair market value of Ascot’s 90% interest in the Urabá Project being in the range \$0.68 M and \$1.34 M with a preferred value of \$1.01 M, as summarized in the following Table

Approach	Method	Values (\$'000)		
		Low	High	Preferred
Cost-based	Appraised Valuation	983	1,474	1,228
Market-based	Market Comparable	532	1,491	1,014
Colombian Urabá Assets (100% Equity)		757	1,482	1,121
Ascot’s Share (90%)		682	1,334	1,009

Ascot has instructed HDR | Salva to also value CDG’s mineral assets at the stages when Measured and Indicated Resource and Reserve estimates could be defined in accordance with JORC guidelines for coal.

HDR | Salva's opinion of the fair market value of 100% of Urabá concession mineral assets and corresponding value for Ascot's 90% share at assumed Measured and Indicated Resource stages and JORC Reserve Stage has been shown below:

Urabá Project	Valuation Bound	Measured and Indicated (M + I) Resource Stage	Proved and Probable Reserve Stage
Unit Value \$/t (100%)	Lower	\$0.075/t	0.35/t
	Higher	\$0.15/t	0.70/t
	Preferred	\$0.11/t	0.52/t
Ascot's Share (90%)	Lower	0.0675/t	0.315/t
	Higher	0.135/t	0.63/t
	Preferred	0.099/t	0.468/t

1 Introduction

RSM Bird Cameron Corporate Pty (“RSMBCC”) has engaged Salva Resources Pty Ltd (HDR | Salva) to prepare an Independent Valuation of the mineral assets of Carbones del Golfo S.A. (CDG), being the coal concession ED4-152 which comprises the Urabá Project (the Project), located in the Department of Antioquia, Colombia.

Ascot is a publically listed (ASX) coal explorer and developer. Its major asset is its 90% JV interest in the Titiribi Coal Project in the Department of Antioquia, Colombia. Salva understands that this report will be relied on by RSMBCC within its Independent Expert’s Report (“IER”) as part of the proposed transaction to be presented to Ascot Resources Ltd. (“Ascot” or the “Company”) shareholders.

1.1 Scope

RSMBCC has requested that HDR | Salva provide an independent assessment and valuation of the following:

- Valuation of mineral assets owned by CDG being concession ED4-152 in the Urabá region of the Department of Antioquia, Colombia;
- Valuation of CDG’s exploration assets at assumed Measured and Indicated coal Resources stages; and
- Valuation of CDG’s exploration assets at assumed Reserve stage.

1.2 Reporting standard

The Report is prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts (“the VALMIN Code”) as issued in 1995 and updated in 2005. For the purposes of this Report, value is defined as “fair market value”, being the amount for which a mineral asset should change hands between a willing buyer and a willing seller in an arm’s length transaction where each party is assumed to have acted knowledgeably, prudently and without compulsion.

1.3 Data sources

This review is based on the information provided by Ascot, the technical reports of consultants and previous explorers, as well as other published and unpublished data relevant to the area. HDR | Salva has carried out, to a limited extent, its own independent assessment of the quality of the geological data. The status of agreements, royalties or concession standing pertaining to the assets was, however, not investigated and HDR | Salva was not required to do so.

In developing our assumptions for this Report, HDR | Salva 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. HDR | Salva has accepted all information supplied to it in good faith as being true, accurate and complete, after having made due enquiry as of August 2013.

1.4 Competent Persons and Experts statement

Mineral asset valuation in this report was prepared by, or under the supervision of Manish Garg (B.Eng (Minerals Engineering), MAusIMM). Mr Garg has sufficient assessment and valuation experience, which is relevant to the activity that they are 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).

1.5 Disclaimer and warranty

This Report was commissioned by Ascot on a fee-for-service basis according to HDR | Salva’s schedule of rates. HDR | Salva’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 HDR | Salva’s consultants or their immediate families involved in the preparation of this valuation report have (or had) a pecuniary or beneficial interest in Ascot prior to or during the preparation of this report.

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

- results from HDR | Salva’s reliance on information provided by Ascot and/or 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 Ascot. 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 HDR | Salva assumes no responsibility to update or revise them to reflect new events or circumstances.

The conclusions expressed in this updated valuation report are appropriate as at August 2013. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars (\$) unless otherwise stated. HDR | Salva services exclude any commentary on the fairness or reasonableness of any consideration in relation to this acquisition.

1.6 Note on Concession Status and Material Contracts

HDR | Salva has not independently verified the current ownership status and legal standing of the material tenements that are the subject of this Report. Instead it has relied on legal advice provided by:

- Posse Herrera Ruiz Lawyers in relation to Mining Title ED4-152 in Colombia,

regarding the status of the material tenements underlying the mineral assets involved in the transaction and this advice confirms that the material tenements are in good standing in all material respects.

HDR | Salva has not reviewed the material contracts relating to these mineral assets and is not qualified to make legal representations in this regard.

2 Colombia Overview

Colombia has the largest identified coal resources in South America. Compared to other regions in the South American continent, the unique geological conditions prevalent in Colombia were more conducive to coal formation. Geographically, Colombia is a country largely dominated by the northern extension of the Andes Mountain Chain. The Andes Mountains split into three distinct mountain ranges as they enter the southern part of the country. These relative young mountains are steep sided and have relatively high elevations. These three distinct mountain ranges are identified as three distinct cordilleras. (Figure 2:1), Cordillera Occidental (West Cordillera), Cordillera Central (Central Cordillera) and Cordillera Oriental (East Cordillera).

The West Cordillera is separated by the valley of the Río Cauca of the Central Cordillera. Between this and the East Cordillera, lies in the wide valley of the Río Magdalena. Between the Pacific and East Cordillera lies a hilly coastal area constructed from massive tertiary sediments.

In the North Andes there are a lot of tertiary coal deposits with huge reserves. Eastwards there exists slightly metamorphous clay schist and chert schist which are covered by massive basaltic vulcanite caps. This complex builds up the West Cordillera. The Central Cordillera is determined by old Precambrian and Paleozoic rocks.

Figure 2:1 Cordilleras in Colombia



Typical Rock types present in the Central Cordillera are metamorphic rocks such as phyllite, quartzite and metamorphic conglomerates. The metamorphites are discordantly overlaid by Devonian and Lower Carboniferous continental sediments as well as Upper Carboniferous and Permian marine sediments. In the east edge is a mixture of Triassic ignimbrites and Cretaceous conglomerates, graywacke, pyroclastics and lime-sandstones.

The East Cordillera has a complex structure. The first is in three areas the pre-Triassic basement upcoming to the surface. From the south to the north these are at Garzón, at the area Quetamá and at Santander. The rock contains highly metamorphosed gneisses and granulites. A wide area is taken by immense marine Cretaceous series which are lying discordant above the old basement. The Sierra Nevada de Santa Marta is a block separated by tectonic structures in all directions.

Coal was deposited in Colombia at two separate times during the past 65 million years: at the beginning of the Tertiary Age (Paleocene) and mid-way through the Tertiary during Oligocene-early Miocene times. Both of these periods saw warm temperatures, abundant rainfall and higher Carbon Dioxide (CO₂) levels, all of which promoted the development of coal in swamps in the lowland interface between the mountains and the oceans. These coal deposits are located at nine different identified basins (Figure 2:2 and Table 2:1). The presence of the mountains play a large role in it's the coking potential, method of mining and its transport to port for export.

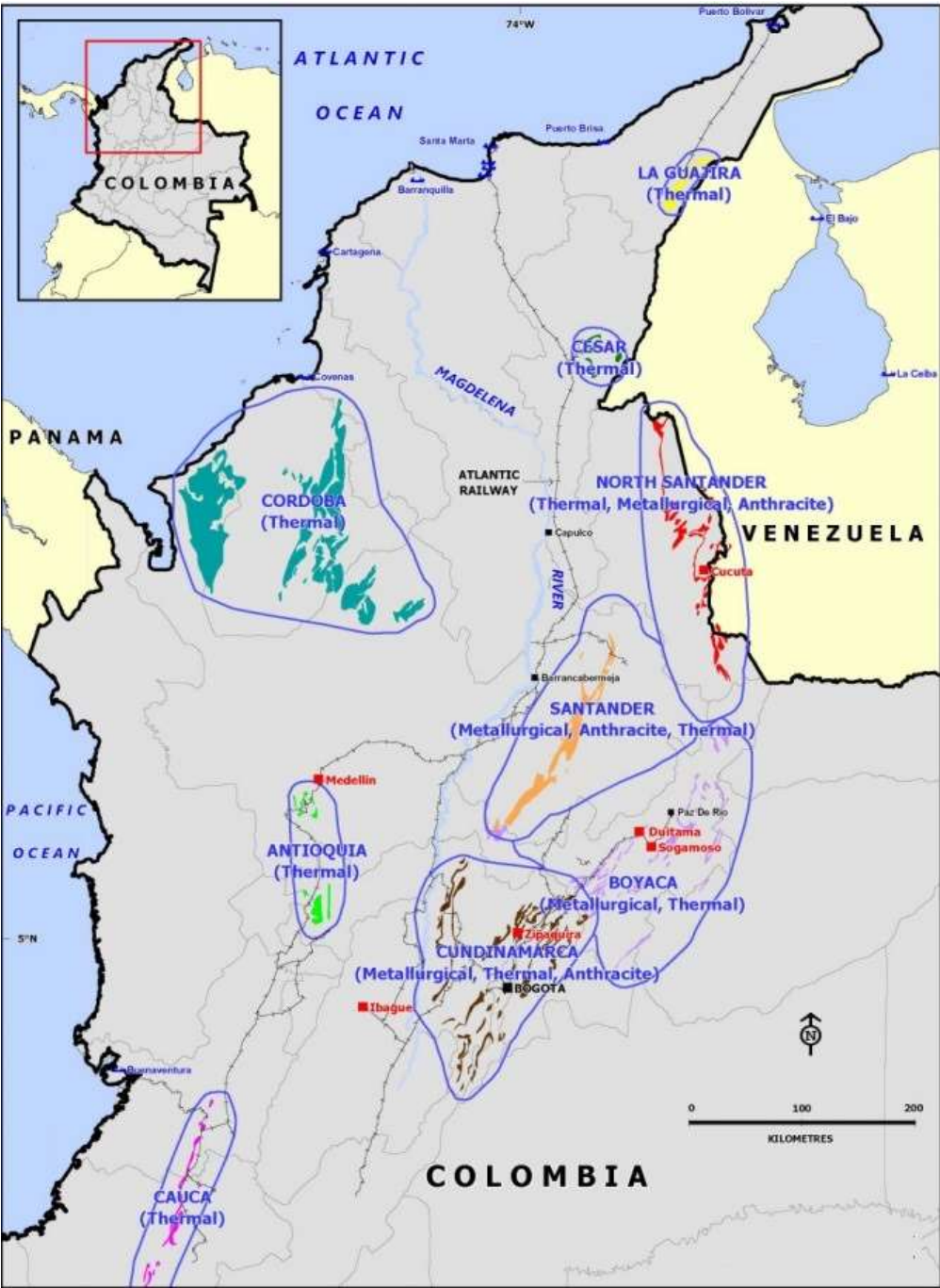
According to estimates given by the Ministry of Mines and Energy, Government of Colombia, Colombia has a total known coal resource base of 6.6 BT with 75% of its coal resources are of thermal grade.

Table 2:1 Coal Inventory in Colombia

Region / Zone	Coal Resources (Mt)
La Guajira	3728
Cesar	1814.6
Córdoba	378.5
Cundinamarca	224.9
Boyacá	156.7
Norte de Santander	107.2
Antioquia	87.4
Santander	55.4
Valle del Cauca	40.7
Total	6593.4

Most of the thermal coal deposits present in Colombia are located in north eastern plains of the country with the largest situated in the Guajira and Cesar departments These coal mines have very large resource base with favorable stripping ratio. Colombian surface mineable coal seams are reasonably flat lying or if dipping steeply, they have relatively limited depth of cover. Thermal coal produced in Colombia is generally bituminous in rank and has low ash and sulfur content. Emerging coking coal provinces are located in the central and southern regions, where infrastructure is limited. Most of the coking coal produced in Colombia comes from underground mining operations with very difficult geological condition. These underground coal seams are dipping at an angle of 30 degree or greater which restricts the deployment and maneuvering of underground mining equipment.

Figure 2:2 Coal Basins in Colombia



Colombia is the largest producer of coal in South America and 5th largest exporter in the world. Coal production is mostly controlled by large, global mining companies who own and manage their own production and raw materials supply chains, including rail and port capacity. Carbones del Cerrejon (33Mtpa), the largest Colombian producer, is owned in equal shares by Anglo American, BHP Billiton and Glencore-Xstrata. Other major producers include, Drummond International, Glencore and Goldman Sachs.

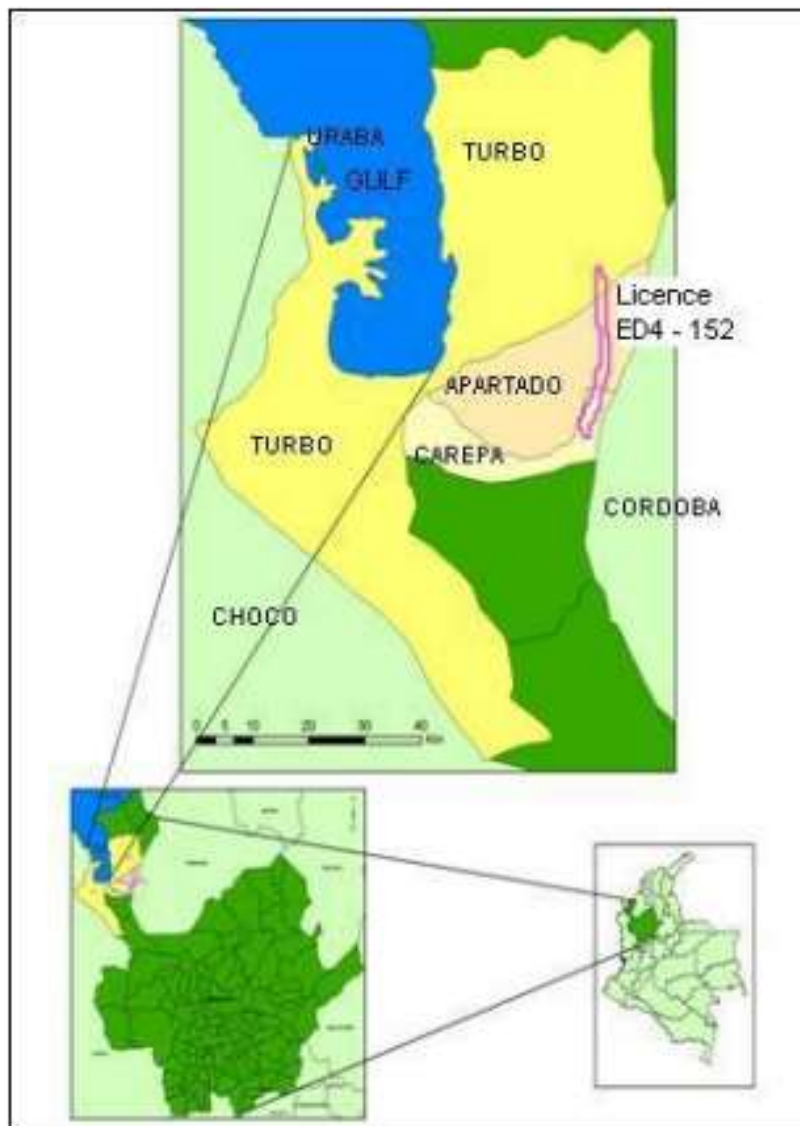
3 Urabá Coal Asset

3.1 Location

The Urabá concession is located in the northern most part of Antioquia Department located in the northwest part of Colombia within the municipalities of Turbo, Apartadó and Carepa (Figure 3:1). It lies on the eastern flank of the valley of Rio Currulao, which flows northward and continues southward past the headwaters into the valley of the Rio Mulatos.

The Antioquia Department is spread into an area of 63,612 Km² and borders with the Córdoba Department and the Caribbean Sea to the north, Department of Caldas and Risaralda to the south, Chocó Department to the west and Bolivar, Santander and Boyaca Departments to the east.

Figure 3:1 Urabá Project Location



Antioquia is one of the 32 Departments of Colombia with an approximate population of 6.6 million people. Antioquia is divided into 9 sub regions containing 126 different municipalities. Medellín is

the capital city of the Department, which is also the second most populous city after the Colombian capital Bogota, with a population of approximately 3 million.

The Project is located within a distance of 25 km from the small Caribbean port of Turbo which is connected to an established market in Europe, Brazil and United States via the Atlantic route. The port of Turbo is located in the southern part of Gulf of Urabá. The Turbo Port is also the northern terminal of the main route of the Pan-American Highway in South America. The biggest Colombian Hydroelectric power Project (Hidroituango) is under construction in the area.

3.2 Accessibility

The Project area is accessible from different departments of Colombia by way of series of road networks which connects the sea with the Antioquia central region.

From the capital city of Medellin, the Project area is accessible by the road network which passes through Santa Fe de Antioquia, Cañasgordas, Dabeiba, Mutatá, Chigorodó, Carepa, Apartadó, and Currulao to Turbo, with a total distance of 420km. The network consists of paved roadway which is generally in good condition.

The southern portion of the Project area is accessible from a 20km secondary road from the municipality of Carpa passing through the Piedras Blancas township and to the village of Belencito. The road network is comprised of both paved and unpaved roads and the journey takes around one and half hours.

Figure 3:2 Urabá Project- Accessibility



Source: Ascot Resources

The Project area is drained by two main rivers – the Currulao River runs through part of the concession zone from south to north and the Carepa River which flows in a north to southwest direction close to the southern zone of the concession. Both of these rivers discharge water into the Gulf of Urabá.

Figure 3:3 Currulao River in the Concession Area



The Project area has a tropical climate, with a monthly mean temperature above 18°C.

Rainfall is not uncommon throughout the year but the rainy season generally falls between August and November. Because of the proximity to the equator, there is not much seasonal variation in temperature, with the maximum temperature being around 30°C. Annual average precipitation is about 1500 millimetres (mm).

The central and western cordilleras mountain ranges pass through the department of Antioquia, which is known to hold major mineral resources including gold, nickel, bauxite and coal of both thermal and coking grade.

3.3 Ownership and Concession

The state of Antioquia hosts a number of coal bearing areas, with the concession located in the northern most part of the department in the Municipality of Turbo, Apartadó and Carepa in the Antioquia Department.

The ED4-152 concession is the property of “Carbones de Golfo”. On the Bogotá national grid, the Project area is delimited between the following coordinates.

Table 3:1 Boundary Coordinates of Project Area

Point	X Coordinate	Y Coordinate
1	1.066.000	1.372.000
2	1.066.500	1.372.000
3	1.066.500	1.366.000
4	1.066.000	1.365.000
5	1.065.000	1.362.000
6	1.065.000	1.360.000
7	1.064.000	1.359.000
8	1.064.000	1.358.000
9	1.063.000	1.357.000
10	1.063.000	1.355.000
11	1.062.000	1.355.000
12	1.061.000	1.357.140
13	1.061.000	1.358.000
14	1.062.000	1.359.000
15	1.062.000	1.360.000
16	1.063.000	1.361.000
17	1.064.000	1.364.000
18	1.064.000	1.366.000
19	1.065.000	1.367.000
20	1.065.000	1.373.000
21	1.064.215	1.373.790
22	1.064.000	1.383.000
23	1.065.000	1.383.000
24	1.065.000	1.382.000
25	1.066.000	1.381.000

HDR | Salva has not independently verified the legal standing of the material tenements that are the subject of this Report. Instead it has relied on legal advice provided by:

- Posse Herrera Ruiz Lawyers in relation to Mining Title ED4-152 in Colombia,

regarding the status of the material tenements underlying the mineral assets involved in the transaction and this advice confirms that the material tenements are in good standing in all material respects.

HDR | Salva has not reviewed the material contracts relating to these mineral assets and is not qualified to make legal representations in this regard.

The Project consists of a single concession as detailed in, in Table 3:2 below:

Table 3:2 Urabá Project Concessions

National Mining Register ID	Area (Ha)	Status	Year Granted	Expiry
ED4-152	4,971	Granted	2007	2037

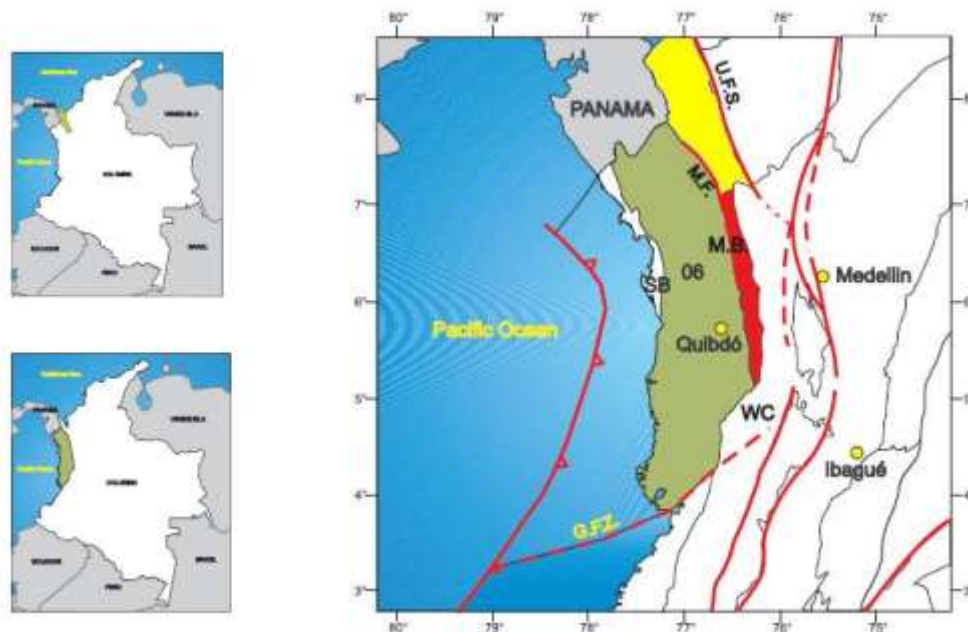
4 Regional Geology

4.1 Geological Settings

According to the authors in GEOTEC (2003), the Urabá basin lies in the Sinú – San Jacinto Terrain within the Murindó fault and the Uramita fault system. Sinú basin determines the boundary between the Urabá and the Atrato basins.

Lithologically, the Urabá basin is composed of rocks formed during the Cretaceous and Pliocene periods and has been grouped into Pajuil, Floresanto and Corpa formations.

Figure 4:1 Geological Settings- Urabá



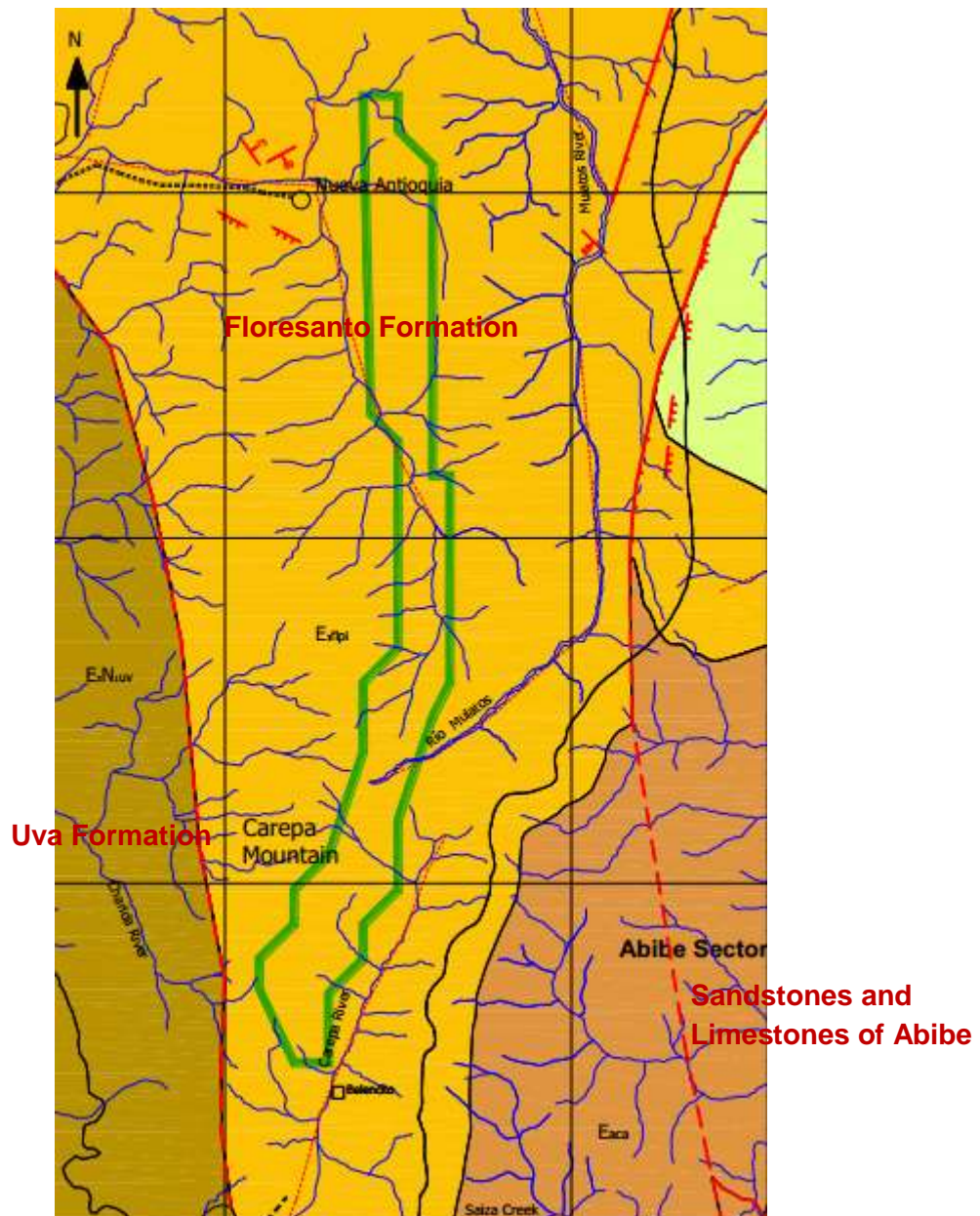
The fragmented San Jacinto belt borders at the east and west with the structural alignments of Romeral and Sinú respectively. It is considered as the remaining expression of an ancient submarine volcanic chain that bordered the platform margin and is thought to be the result of an existing interaction between the south-western Caribbean oceanic crust and the north of South America continental crust, through tension and compression stress along the platform margin, especially during the Pre-Andean Orogeny. (Duque Caro, 1984, GEOTEC, 2003).

According to Duque Caro (1984), the most characteristic phenomenon inside this belt and the leading cause for the dome-like structure, is the mud diapirism, which is directly related to the lifting and deformation of this belt. These dome-like structures take advantage of planes of structural weakness to break or deform pre-existing structures, leading to the partial or total crop out of the component units (GEOTEC, 2003).

4.2 Lithological Units

The main lithological formations present within the mining region have been described below.

Figure 4:2 Main Lithological Units - Urabá Project



4.2.1 Sandstones and Limestones of Abibe (Eaca)

This covers an area of 891 km² and refers to a sequence of sandstones, calcareous mudstones and limestones that are found east from the Uramita fault in the little mountain chain of Abibe in the Verde River and the Saiza Creek.

4.2.2 Floresanto Formation (E3flpi, E3flps)

This unit was identified by a geologist of Sinú Oil Company (Oppenheim 1957 and González, 2001) in reference to the sandstones that was found in the Floresanto Creek, southwest of Montería, of Córdoba region in the Sinú Basin. Subsequently, this formation was divided into two different subgroups, known as the Lower Pavo and Upper Pavo Formation.

Lower Pavo Unit (E3flpi)

This unit covers an area of around 1.503 km² and occurs within the concession boundary. It outcrops in Alto de Carepa, within the road between Carepa to Campamento and around the Nueva Antioquia area.

It is composed of lithic to sublithic arenites; they have mid-sized, sub-rounded to sub-angular grains, with moderate selection, calcareous cement or clay matrix. The gravel is composed of quartz, black chert, mudstones, volcanic rocks, coal, vegetal remains and occasionally calcareous concretions. It is possible to find pieces of mollusks shells locally, though they may look like conglomerate lenses. Ages between Later Oligocene and Early to Middle Miocene have been assigned to it, (GEOTEC, 2003).

Upper Pavo Unit (E3flps)

This unit covers an area of around 794 km² and occurs north of the Turbo fault and in the Tulipa and Umbito synclines, as well as in nearby the San José de los Mulatos and Pueblo Nuevo localities. Outcrops of it can be seen on the way from San Pedro de Urabá to Valencia, Córdoba.

The Upper Pavo Unit is composed mainly of mudstones and some sandy horizons, mostly in the lower part. The Upper Pavo unit is the main coal bearing unit in the region. Large coal lenses of around 2.2m and 1m wide are sporadically present, along with some siltstone crusts. The assigned age of this unit is Lower Miocene, (Haffer 1967 en INGEOMINAS & IGAC, 2006).

4.2.3 Uva Formation (E3N1uv)

This formation covers an area of around 235 km² and comprises a sequence of marls, claystones, detritic limestones and calcareous sandstones.

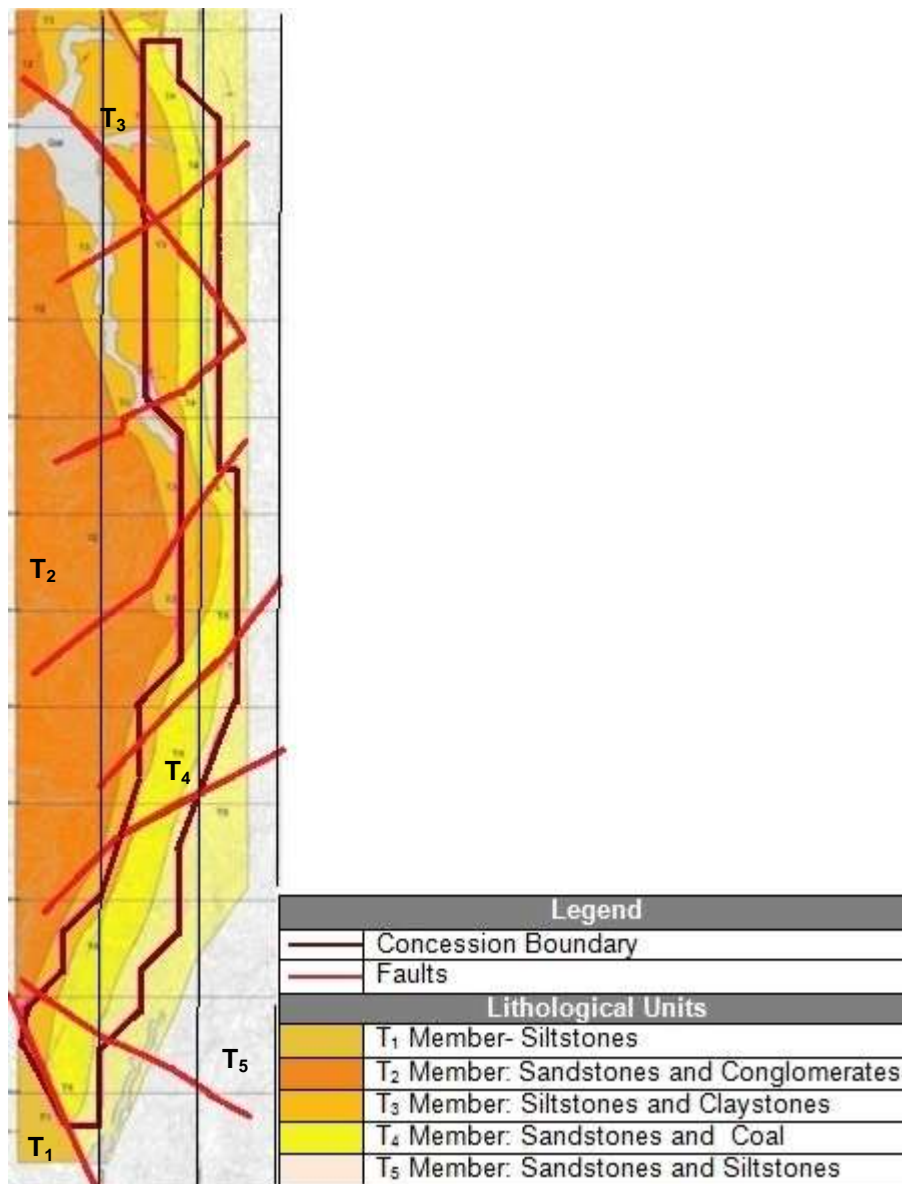
The Uva Formation occurs in the west from the Uramita fault, up to the Congo River, Churido and Piedras Blanca's Creek, nearby the localities of El Gas and El Guineo. The age of the Uva Formation has been assigned between Middle Oligocene and Middle Miocene, (INGEOMINAS & IGAC, 2006).

5 Local Geology

The Urabá area was explored in 1985 by CARBOCOL. They reported the existence of 4 to 11 coal seams, with a maximum thickness of 2.27 m and an average of 1.4 m (source “Ingeominas, 1987” Ministry of mines and geology).

The concession area is located over rocks from the Lower Pavo Unit from the Floresanto Formation. This unit has been divided in five lithological subunits, as shown in Figure 5:1 and Table 5:1 below.

Figure 5:1 Local Geology Urabá



The five lithological units present in the mining area have been summarised in the Table 5.1 below.

Table 5:1 Lithological Units Urabá

Lithological Member	Description
T1 Member: Siltstones	Located in the southwest part of the concession, near Belencito River and represented by a grey to motley siltstone and claystone sequence of massive appearance. This frequently disguises the attitude of the beds that form the levels up to 200 m in thickness.
T2 Member: Sandstones and Conglomerates	Outcrops west of the concession boundary. Base Units are made up of polymictic conglomerates and medium to coarse sized sandstones in layers of thickness up to 4m. They are mainly composed of quartz in a silty matrix.
T3 Member: Siltstones and Claystones	Outcrops as a strip with a general north-south strike in the centre of the concession. Morphologically, it's in the lower parts of the region, locally covered by the terraces and alluvium of the Currulao River and some creeks and tributaries, as well as colluvial deposits.
T4 Member: Sandstones and Coal	This unit is composed of middle to fine grain grey sandstones in beds up to 12m thick. Thin sheets of coal, up to 5mm are present and mark the lamination. Moreover, there are levels of siltstones and grey mudstones that are affected by shearing, making them become ductile. There is the presence of coal seams varying in thickness between 0.6 and 2.2m that rarely outcrop in the creeks.
T5 Member: Sandstones and Siltstones	The rocks in this unit are found at the east border of the concession. It is composed of dirty-looking fine to medium grain sandstones with some coal like material, separated by motley grey siltstones.

5.1.1 Coal Potential

In 2010, Gemi identified five different coal blocks. These are located from north to south and are La Carbonera block, La Ahuyamita (La Bonita), Playa Larga, Mulatos and Belencito.

The geological report prepared by Gemi identifies a coal-bearing zone, continuous from north to south throughout the length of the concession. The dip of the coal seam varies from 45 degrees to 70 degrees to the east. In addition to this, the coal bearing areas are bounded on three sides by major faults.

A short summary of coal seams and their occurrences has been given in Table 5.2 below.

Table 5:2 Coal Seam Occurrences Urabá

Coal Blocks	Number of Seams	Seam Thickness	Exploration activity
La Carbonera Block	7	1.0 m – 2.2 m	Trenching, chip and grab sampling, drilling
Ahuyamita Block	2	0.6 m – 1.8 m	Chip and grab sampling
Playa Larga Block	1	1.0 m	Chip and grab sampling
Mulatos Block	2	1.0 m	Chip and grab sampling
Belencito Block	5	Up to 6.0 m	Chip and grab sampling

It has been reported that a coal seam thickness of 6.0 m has been found in the southern part of the concession (*Miramar Bed*).

Urabá' concession does possess a good opportunity to exploit coal resources but it appears that the coal stratification is limited to the northern and southern portion of the concession only. The middle part of the concession does not appear to have outcropping coal, is narrow, and has a river running through the middle of the area.

The river which is flowing through the middle of the concession may possess an additional roadblock for the development mainly in the middle section of the concession as the river may be required to be diverted, which would require additional permits and significant rehabilitation and resettlement expenses.

Additionally, the coal bearing area is bounded on three sides by major faults, which may possess adverse mining conditions and may limit the mining capacity in the middle section of concession. .

With one exception, coal samples taken from the trenches by Gemi reported relatively good thermal coal values. The Gross as Received ("GAR") heat content stood at 12,464Btu/lb. and 13,391Btu/lb.; with an average 12,920Btu/lb. or 7,150kcal/kg this indicates the presence of high rank coal within the tenement area. The Free Swelling Index (FSI) value was calculated within 3.5 to 5, indicating that the coal has a potential to be used as a blending coking coal.

Figure 5:2 Coal Seam outcrop



5.2 Proposed Exploration Program

An exploration program has been presented to HDR | Salva to target the most prospective mineral areas. Within the coal basin, the exploration will focus on resource definition and delineation. A geological mapping program was initiated in July 2012. A detailed drilling program is under development which is planned to commence in late 2013 or early 2014.

A proposed budget has been scheduled through to 2013-2014. Historical and estimated expenditures are given in Table 5:3 below.

Table 5:3 Exploration Programme

	2011-2012	2012-2013	2013-2014 Plan
Coal Exploration & Studies	\$105,000	\$ 323,000	\$ 555,000

6 Potential Product Logistic Options

Considering the near surface availability of coal in the concession area, an appropriate surface mining technique may be suitable to exploit it. This may be supplemented by either auger or highwall mining technique. Coal seams which are located at greater depth may require to be exploited by conventional artisanal mining techniques..

The coal product from the mine located in the northern part of the Urabá Project may be hauled by trucks to the small Caribbean port of Turbo which is located in the southern part of the Gulf of Urabá. The Port of Turbo is connected to an established market in Europe, Brazil and the United States via the Atlantic route. The port of Turbo is also the northern terminal of the main route of the Pan-American Highway in South America.

The total distance from the port of Turbo to the northern part of the concession is around 34 km. To use this option, Ascot may have to upgrade the existing dirt road of 15 km length connecting Currulao to Nueva Antioquia to accommodate all-weather transportation. In addition to that, around 3 km of new road should be built to connect the concession area to Currulao. Moreover, the hilly terrain in the region offers an opportunity to transport coal to port of Turbo via a long distance belt conveyor system which Ascot may investigate at a later stage.

Alternatively, the Project area can be accessed by unpaved gravel road to the west of the branch road connecting the port of Morrosquillo to the capital city of Medellin (Figure 6:1).

Figure 6:1 Product Transportation Options



Source: Ascot Resources, ASX announcement dated 22nd July 2013

7 Valuation

7.1 Valuation Approaches

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

In determining the appropriate method(s) to be used for valuation of these assets, HDR | Salva 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 and each is more suitable for the relevant status of the exploration or mining project from grass roots exploration through to operating mine. 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	Valuation Methods
Exploration Areas	Properties where mineralisation may or may not have been identified, but a Resource has not been identified.	Rule of Thumb, Geo-scientific method, Comparable Transactions
Advanced Exploration Areas	Properties where considerable exploration has been undertaken and specific targets identified. Resource estimation may or may not have been made. Good understanding of mineralisation present.	Geo-scientific method, Appraised Value Method, Comparable Transactions
Pre- development Projects	Properties where mineral resources have been identified but decision to proceed with development have not been made. Includes properties held on retention titles.	The above methods and DCF/NPV valuation

Source: VALMIN CODE, 2005

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

Considering the level exploration activities conducted by previous vendors on the Project, it can be classified as an early stage exploration project.

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

resource classification. HDR | Salva considers that this valuation approach is appropriate for the Urabá project which may be considered as an exploration area.

The understanding of the geology of the coal deposit, structure and defined resources places the coal area in the Advanced Exploration or Pre-Development classification phase. A large range of valuation methods are recognized for this status with some requiring a degree of subjective estimation. All have been used by valuation practitioners and usually a combination of methods is used as cross checks to the reasonableness of the input assumptions.

For the valuation of the Urabá Project, HDR | Salva has used a combination of two methods due to the uncertainties attached to progressing the project despite its comprehensive resource base. The valuation methods applied include: Comparable Transactions; and an Appraised Value based on past and forecast exploration expenditure with an appropriate multiplier applied to these expenditures.

The valuation of the identified mineral areas is a “rule of thumb” methodology where comparative sales are compared on a value per concession area. Fair market value is usually the technical value plus a premium or discount to account for market, strategic considerations and special purposes. HDR | Salva has therefore assessed a range of values based on the methodologies used, which is a technical value, and applied a premium due to the concession’s location and market potential, particularly with respect to the coal qualities.

7.1.1 Urabá Concession Comparative Market Transaction Method

To determine the fair market value for the resources for the Urabá project, HDR | Salva has reviewed recent comparable transactions for the coal asset. To find out implied value relevant to current time and circumstances, HDR | Salva has considered only those transactions which involved assets containing predominately thermal coal. These projects are all under exploration stage and are shown in Table 7:2 below.

Table 7:2 Comparable Market Transaction, Urabá Concession

Date	Buyer	Project	Potential Coal Type	Exploration Target	Area Hectare (Ha)	Implied Value(100%) (\$/Ha)
Feb-13	Lara Exploration	Escalones concession	Thermal and Coking		91	18,723
Aug-12	Epic Resources	HJBN-04, HJLI 06 and HJLI 01	Coking and Thermal		210	6,028
Jun-11	New Age Exploration-Aurora	La Miel concession	Thermal and Coking	50-200 Mt	2,544	375
May-11	New Age Exploration-Aurora	GIK-103 and GHN-121 concession	Thermal	200-800 Mt	4,141	107
Dec-10	Transit Holdings Limited	Concessions consists of 45 Separate Solicitudes	Coking and Thermal		320,000	15
Oct-10	Colombia Energy Resources Inc	FLG 092	Coking and Thermal		2,600	250
Nov-10	Pacific Resource Ltd	La Tigra Project	Thermal and Asphaltite		5,700	6,164
Aug-10	Xira Investment	La Tigra Project	Thermal and Asphaltite		5,700	4,893
Jul-10	Colombia Energy Resources Inc	North Block (GG7-111 & GG7-11522X)	Thermal		2,600	69
Median						375
Average						\$4,069

HDR | Salva has excluded transactions pertaining to the acquisition of the La Tigra Project by Pacific Resources and Xira Investment as the La Tigra Project involved potential Asphaltite resources which are used to produce hydrocarbons.

Similarly, acquisition of the Escalones concession by Lara Exploration may also be considered as an outlier because the concession comprised of a coal asset which was under construction phase (although it did not have any resource and reserve defined). The coal present in the concession is amenable to be exploited by underground mining method and shaft sinking was already in progress.

Concessions acquired by Transit Holdings Limited from Corvas Coal limited were located in Cordoba Province of Colombia. Geologically, Cordoba Province is known to be a relatively low prospect for hosting good quality thermal coal deposits. At the same time, these concessions are located at a distance of more than 120 km from the coast and no infrastructure was present. Considering this, in HDR | Salva's opinion, the Urabá Project is a superior project compared to concessions acquired by Transit Holdings and should be valued at a higher rate.

On analysis of remaining transaction with reference to the Urabá Project, in HDR | Salva's opinion, acquisition of La Miel concession and GIN-103 and GHN-121 concession by ASX listed New Age Exploration seems appropriate comparable transactions. Although La Miel Project was originally intended to be developed as coking coal project, it did not yield favourable result for New Age Exploration Limited. Subsequently, New Age Exploration Limited abandoned the project in December 2012.

Considering the geological disturbance and surface constraint present on the concession area, in HDR | Salva's opinion, the Urabá Project is likely to be valued close to the concession owned by New Age Exploration in the Cesar coal basin. The valuation of the Urabá Project may be alternatively viewed as towards the upper side as New Age's project is located close to major open pit thermal coal mining operations in the Cesar Basin including Glencore, Goldman Sachs and Drummond. This is mitigated by the fact that the Urabá Project is expected to be a low cost operation with its proximity to export market and potential to contain metallurgical characteristics.

Considering this, HDR | Salva considers that the implied value of the Urabá Project lies in the range of \$107/Ha to \$300/Ha with a preferred value of \$204/Ha.

HDR | Salva's values are based on:

- Lower value – The implied value derived from the market transaction at the lower end
- Upper value – The implied value derived from the market transaction at the upper end
- Preferred value – the average of the range between its lower and upper values.

A summary of HDR | Salva's market based valuation is presented in Table 7:4.

Table 7:3 Market based valuation of Urabá coal project, Colombia

Item	Size (Ha)	Market value (\$'000)		
		Lower	Higher	Preferred
Urabá Project	4,971	\$107/Ha	\$300/Ha	\$204/Ha
Sub-total (Project, 100%) \$'000		532	1,491	1,014

A range of \$0.53 M to \$1.49 M is deemed appropriate based on market comparable approach reflecting the uncertainty of potential Resource delineation and eventual extraction of a number of seams.

7.1.2 Appraised Value Approach

The cost approach or Appraised Value method is founded on the assumption that the intrinsic value of the exploration concession is based on the exploration potential. This includes the amount of expenditure that has been meaningfully used in the past to define a target or resource and the future costs in advancing the exploration to a pre-feasibility stage. A prospectivity enhancement multiplier is applied to the exploration expenditure, usually limited to the past three years and immediate year, and is based on the overall attractiveness of the exploration area for progressing to a reserves status. The multiplier ranges from 0.5 to 5.0.

From information provided by the Company and a review of the exploration program by HDR | Salva, the effective exploration expenditure is shown in Table 7:5 below.

Table 7:4 Exploration Program- Direct Expenditure

Year	Amount *(\$)
2011-2012	105,000
2012-2013	323,000
2013-2014 (Forecast)	555,000
Total	983,000

* historical exchange rate of US \$ and AU \$ taken as 1.0 while forecasted exchange rate for 2013-2014 has been taken as 0.90

HDR | Salva has applied a prospectivity enhancement multiplier (Lawrence/Minval/PEM schema) of 1.0 to 1.5 based on the fact that existing data consists of pre-drilling exploration and the results are sufficiently encouraging to warrant further exploration. Therefore for the Appraised Value Method a possible value of \$0.9 M to \$1.5 M is attributed as shown in Table 7:6 below.

Table 7:5 Appraised Value – Colombian Coal

Exploration Expenditure (\$000)			Base Value (\$000)	Enhancement Multiplier		Value of 100% Asset (\$000)	
2011	2012	2013		Lower	Higher	Lower	Higher
105	323	555	983	1.0	1.5	983	1,474

7.1.3 Valuation summary – Colombian Asset

In forming its opinion of the fair market value of the Urabá Project, HDR | Salva has taken guidance from the appraised valuation method and comparable transactions. In consideration of comparable transactions, the current market, locality and technical and strategic factors which HDR | Salva has assessed to have an impact on the development of the concession, HDR | Salva has derived a valuation range for 100% of the Urabá Project of between \$0.76 M and \$1.48 M with a preferred value of \$1.12 M.

This results in the fair market value of Ascot’s 90% interest in the Urabá Project being in the range \$0.68 M and \$1.34 M with a preferred value of \$1.01 M.

A summary of HDR | Salva’s valuation of the Urabá Project is presented in Table 7:7.

Table 7:6 Valuation Summary (Urabá Project)

Approach	Method	Values (\$'000)		
		Low	High	Preferred
Cost-based	Appraised Valuation	983	1,474	1,228
Market-based	Market Comparable	532	1,491	1,014
Colombian Urabá Assets (100% Equity)		757	1,482	1,121
Ascot’s Share (90%)		682	1,334	1,009

8 Valuation of Urabá concession with conceptual Resource and Reserve

8.1 Valuation at Assumed Contractual Milestone (Resources and Reserves)

HDR | Salva was advised to value the Urabá Project, assuming the following contractual milestone will be achieved:

- Delineation of Measured and Indicated (M + I) Resource
- Delineation of Proven and Probable (P + P) Reserve

8.2 Future Contractual Milestone – Conceptual in nature

HDR | Salva notes that the future milestone is merely a contractual option for Ascot to consider and is conceptual in nature.

This future milestone is not to be confused with a mineralisation or production target or a resource estimate. Further exploration at the Urabá Project may or may not result in achieving this future contractual option.

The contractual milestone is not representative of mineralisation defined at the Urabá Project and there can be no guarantee or certainty that such mineralisation will ever be defined or found to exist at the Urabá Project. Actual results may differ materially from the future contractual milestone.

Forward-looking information is provided as of the date hereof and HDR | Salva assumes no responsibility to update or revise it to reflect new events or circumstances.

For the valuation of the Urabá coal deposit at these contractual milestone, HDR | Salva has taken guidance from comparable transactions to value these assets at these stages.

8.3 Market Based- Comparable Transaction Approach

To determine the fair market value for the defined JORC Resource and Reserve stage for the Urabá Project, HDR | Salva has reviewed recent comparable transactions which involved further staged payments which will be triggered when a pre-defined Resource is delineated or when coal is extracted in the future. HDR | Salva has identified following transactions involving such stage payments which are triggered when a defined Resource is identified or when coal is extracted. A summary of selected comparable transactions are given in Table 8:1.

Table 8:1 Comparable Transactions - Future Payment

Date	Buyer	Property	Type of Coal	Future Payment (\$/t)	Description
Feb-12	MSEX Mining Corporation	Hunza Mining	Coking	0.014	US \$0.7 M was assigned for exploration activity.
Aug-11	Colombia Clean Power & Fuels	Ruku Concessions	Coking	0.2	\$US 3.5 M in form of future instalment based on resources and reserves.
Aug-11	New Age Exploration	FL2-151	Coking	1.78	US \$2.95m in cash on cumulative production of 200,000 t of saleable coal from FL2-151, Royalty payable of US \$1.90 per saleable tonne production
Jun-11	New Age Exploration	La Miel concession (GP-151)	Thermal and coking	0.125	Payment of US \$0.075 – US \$0.125 per tonne of underground JORC Measured Resource or US \$0.125 per tonne of open pit JORC Measured Resource with a strip ratio of less than 10 bcm waste:1 tonne coal, capped to US \$30 million, Payment of US \$0.5M in cash or NAE shares on commencement of commercial production and Royalty of US \$1 per tonne.
May-11	New Age Exploration	GIN-103 and GHN-121	Thermal	US \$0.50 to US\$ 1.0	US \$0.50 - US \$1.00 per tonne of open pit JORC Measured Resource - Total Measured Resource payments are capped at US\$25 million, US\$1 million on commencement of commercial production, Royalty US \$1/t for UG, 1.5/t for open-pit.
Apr-11	Avenue	El Contento & El Carmen (FEL-165, EK7-151 & EIQ-092)	Thermal	0.16	Progressive cumulative issue of 65million fully paid ordinary shares in the capital of Avenue (\$0.25/share) at 100Mt inferred plus USD500,000 for discharge of liabilities.
Feb-11	Colombia Energy Resources Inc	Otanche coal concession	Coking	2.75	US \$2.75/t extracted.
Dec-10	Transit Holdings Limited	Tenements consists of 45 Separate Solicitudes or First in line Rights	Thermal	0.017	5 million Transit shares on the publication of a JORC compliant Inferred Resource of at least 250 million tonnes , 500 million tonnes, at least 1 billion tones and of at least 2 billion tonnes each.
Dec-10	Tiger Realm Coal Ltd	Corinto	Coking	0.37	US\$ 14 million payment conditional upon 40Mt of mineable reserves as per Colombian coal resource and reserves classification system.

Dec-10	Tiger Realm Coal Ltd	La Libia, GFN-141B	Coking	0.2	USD2 Million for every 10 Mt of inferred resource.
Dec-10	Pacific Resource Ltd	La Tigra Project	Thermal and Asphalt	0.50	US \$0.50/t of coal produced and US \$0.075/ barrel equivalent of hydrocarbon produced.
Oct-10	Colombia Energy Resources Inc	FLG-092	Coking	2.03	USD\$2/t extracted.
Oct-08	Galway Resources	Carboluis	Thermal	1.90	USD1.25/t of economic coal determined by completion of a feasibility study.

Source: Company Announcements

Note: For the future payment a long term exchange rate of 0.9 A\$/US\$ rate has been assumed

Out of the transactions identified above, the following involved additional payment when the JORC Resource and Reserves are delineated.

Acquisition of thermal coal tenements by Transit Holding Limited involved future payment based on delineation of JORC resources and reserves. Although, this transaction did not progress further but under first tranche of payment, when a JORC Inferred Resource will be delineated, the vendors would be receiving 5 M transit shares, which indicates the implied value for the future payment as US\$ 0.017/t of JORC Inferred Resources.

All the acquisitions completed by New Age exploration involved future additional payments. Depending on coal type and location of the project, the implied value of the future payments had been estimated between US \$0.125 to US \$1.0 per tonne of open pit JORC Measured Resources.

Tigers Realm's acquisition of the La Libia coking coal Project involved future additional payments equivalent to \$0.20 per tonne of Inferred Resource which was in addition to the initial commitment equivalent of \$2.79 Million for a 70% holding in the project (390 hectares). Cumulative progressive payments at 10Mt Inferred Resource equates to \$0.68/tonne while payments at 20Mt Inferred Resource equates to \$0.49/tonne. This is based on Tigers Realm's share of 70% of the project.

Progressive payments by Avenue Resources for the acquisition of El Contenido & El Carmen's Thermal coal Project had an issuance of future share ,which is equivalent to \$0.17 per tonne of Inferred Thermal coal Resource. Avenue's transaction was subsequently withdrawn, as the company was unable to complete all conditions precedent to the agreement.

HDR | Salva notes that the implied value for per tonne of JORC Resources is varying deal on deal basis and is very difficult to benchmark. However, based on transaction which has similar kind of coal to the Urabá Project the implied value for the future payment is varying between US \$0.125 to US \$1.0/t of the JORC Measured and Indicated Resource.

However, considering the geological disturbances present within the concession area and the surface obstructions (river crossing through the centre of the concession) at the Urabá Project, the lower bound for implied value for the future payment should be at a discount to the implied

value of La Miel concession (which had similar kind of geological disturbances within the concession area but had some coking coal potential), preferably around US \$0.08/t.

Assuming long term exchange rate of 0.9 A\$/US \$, the lower bound for the implied value for the in-situ coal at the JORC Measured and Indicated Resource stage is calculated at \$0.075/t. The upper bound for the implied value of the concession has been assigned as \$0.15/t of Measured and Indicated Resources. This variation was selected to be consistent with the level of accuracy that typically might be attributed to properties at this stage of development.

HDR | Salva was also requested to value the proved and probable Reserves. HDR | Salva was unable to find any comparable market transaction of the coal asset involving future payment with a JORC compliant coal reserve in Colombia. However, HDR | Salva notes that some of the transactions in Table 8:1 were at “Mineable Reserve” and “Economic coal” stage ranging from \$0.2/t to \$1.90/t, which is dependent on type and location of the asset.

HDR | Salva notes that none of the transactions mentioned in the Table 8.1 above has JORC compliant proved and probable Resources. Therefore, HDR | Salva opted to consider these future payments associated with “Minable Reserve or Economic Coal “ as a broad guidelines only and opted to use an industry standard transactions benchmark multiplier for thermal coal project in Australia ,which has a multiplier between \$0.50 to \$1.00/t of JORC Reserves .

Considering the location, geological factors and other micro and macro-economic parameters which could affect the project economics, HDR | Salva believes that the in-situ value for an undeveloped project located in Colombia should be at a discount to similar size of project in Australia. Therefore, HDR | Salva has opted to apply a 30% discount on the above multiplied and assigned an in- situ value of \$0.35/t to \$0.70/t of JORC Reserves for the Urabá Project. The preferred values have been taken as average of the lower and upper value. The preferred value for the Urabá Project has been determined as \$0.112/t and \$0.52/t at the Measured and Indicated Stage and Reserve stage respectively. A summary of HDR | Salva’s market based valuation of the Project at Measured and Indicated Resource and JORC Reserve Stage is presented in Table 8.2 below:

Table 8:2 Valuation of Urabá Project at Resource and Reserve Stages

Urabá Project	Valuation Bound	Measured and Indicated (M + I) Resource Stage	Proved and Probable Reserve Stage
Unit Value \$/t (100%)	Lower	\$0.075/t	0.35/t
	Higher	\$0.15/t	0.70/t
	Preferred	\$0.11/t	0.52/t
Ascot’s Share (90%)	Lower	0.0675/t	0.315/t
	Higher	0.135/t	0.63/t
	Preferred	0.099/t	0.468/t

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Appendix A Valuation Approaches and Methods

Valuation considerations

To ensure compliance with the ASX's listing rules and Australian Corporations Law, this Report has been prepared in accordance with the VALMIN Code.

Under the VALMIN Code, mineral assets are classified according to their maturity. A *mineral asset* includes all property held for the purpose of near term or eventual mineral extraction, including but not limited to:

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

Most mineral assets can be classified as outlined in Table below.

Mineral asset classification

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

Source: VALMIN, 2005

Under the VALMIN Code, *value* is the fair market value of a mineral asset (2005). Fair market value is the amount of money or the cash equivalent that a willing buyer and seller would exchange on the valuation date in an arm's length transaction (VALMIN, 2005). Each party is assumed to have acted knowledgeably, and without compulsion. In essence, fair market value is comprised of:

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

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

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

Valuation approaches for different types of mineral assets

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

Source: CIMVAL, 2003

Market-based approach

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

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

Related comparable transactions

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

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

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

- the grade of the resource

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

Alternative offers and joint venture terms

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

Rules of thumb or yardsticks

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

Other Expert Valuations

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

Cost-based Approaches

Appraised Valuation or Multiple of exploration expenditure method (MEE)

Past expenditure, or the amount spent on exploration of a concession is commonly used as a guide in determining the value of exploration concessions, and 'deemed expenditure' is frequently the basis of joint venture agreements. The assumption is that well directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a 'prospectively enhancement multiplier' (PEM), which commonly ranges from 0.5-3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement.

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

Prospectively enhancement multipliers

PEM	Rationale
0.5 -1.0	Previous exploration indicates the area has limited potential.
1.0 -1.5	The existing (historical and/or current) data consists of pre-drilling exploration and the results are sufficiently encouraging to warrant further exploration.
1.5 -2.0	The prospect contains one or more defined targets warranting additional exploration.
2.0 -2.5	The prospect has one or more targets with significant drill hole intersections.
2.5 -3.5	Exploration is well advanced and in-fill drilling is required to define a Resource.
5.0	A Resource has been defined but a (recent) pre-feasibility study has not yet been completed

Source: HDR | Salva

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

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APPENDIX D

Overview of calculation of WACC

The rates of return required by providers of both debt and equity are then weighted in proportion to the optimal proportions of debt and equity. Under a classical tax system, the WACC is calculated as follows:

$$WACC = [Re \times (E/V)] + [Rd \times (1 - tc) \times (D/V)]$$

Where:

- WACC post tax weighted average cost of capital
- Re required rate of return on equity capital
- E market value of equity capital
- V market value of debt and equity capital (D + E)
- Rd required rate of return on debt capital
- D market value of debt capital
- tc corporate tax rate

The WACC is estimated with reference to the CAPM, a model used to estimate the required rate of return by an equity investor on that investment. Under the CAPM, it is assumed that an investor holds a portfolio comprising risk free and risky investments. The total risk of the investment comprises systematic risk and specific risk:

- Systematic risk is the variability in an investment's return that relates to general movements in capital markets (such as the share markets). The systematic risk is measured by the movement in an investment's beta.
- Specific risk is the variability which relates to matters specific to the investment or asset being valued.

Required rate of return on equity capital (Re)

Under the CAPM, required rate of return on equity may be calculated using the following formula:

$$Ke = Rf + \beta(MRP - Rf) + Rs$$

Where:

- Ke Required return on equity;
- Rf Risk free rate of return;
- MRP The expected return from a market portfolio;
- Beta Measure of the systematic risk of a stock; and
- Rs Small size and company specific risk premium.

Risk free rate (Rf)

The risk free rate of return compensates investors for the time value of money. In general valuation practitioners will adopt the yield on Government Bonds (in the appropriate jurisdiction) of a term matching the cash flows forecast period as a proxy for Rf.

In determining Rf we have used the 2 year Commonwealth Government Bond rates as at 22 July 2013. On 22 July 2013 a 2 year Commonwealth Government Bond yield 2.47% (Source Reserve Bank of Australia). The Government bond rate is widely used and is an accepted benchmark for the risk free return.

Beta (β)

The beta coefficient measures the systematic risk of the company compared to the market as a whole. A beta of 1 indicates that the company's risk is comparable to that of the market.

The beta coefficient measures the systematic risk of the company compared to the market as a whole. A beta of 1 indicates that the company's risk is comparable to that of the market.

The choice of a beta requires judgement and necessarily involves subjective assessment as observations of beta in comparable companies may be subject measurement issue and other variations. Accordingly, depending upon circumstance, a sector average, or a basket of comparable companies may present a more reliable beta, rather than relying on a single comparable company.

Beta can be expressed as an equity beta (which includes the effect of gearing on equity returns) or as an asset beta (where the impact of gearing is removed). The asset beta will be lower than the equity beta for any given investments, with the difference dependent upon the level of gearing in the capital structure.

The selection of an appropriate beta involves a degree of professional judgement, particularly where the performance drivers of the company being valued are not directly aligned with the most comparable listed companies.

The comparable company data included in the table at Appendix E illustrates the observed beta coefficients for the companies we consider most comparable to Ascot.

The average unlevered beta for the comparable companies was around 1.14. We have regressed these betas based on the capital structure of Ascot as at 22 July 2013 and as such have calculated a levered beta for Ascot of 1.72.

Market risk premium (MRP)

EMRP is a measure of the long term excess return earned on a diversified portfolio of equities inferred from comparison of long term equity returns and the returns available on risk free investments represented by Government Bonds. Inevitably this measure will be extremely volatile over short and medium term periods and hence estimates of EMRP typically refer to excess returns over very long periods.

Long term estimates of EMRP for the Australian market typically have been in the range 5% to 7% as reflected in:

- The general adoption of the rate of 6% in normal market conditions by Australian valuers; and
- Academic research covering the period 1883 to 2010 which indicates an EMRP in the order of 6% where no value is explicitly modelled for imputation credits.

For the purposes of our valuation, we have utilised the long term estimate for the EMRP relating to the Australian market of around 5% to 7%.

Small size and company specific risk premium (Rs)

In considering an appropriate WACC for Ascot, we have considered the specific risks of the Company which are not experienced by the comparable listed companies and are therefore not reflected in the reported betas or implied multiples derived from publicly available market data.

Studies undertaken by Ibbotson SBBI indicate that a correlation exists between the size of a company and the expected returns of that company. We have had regard to the work published in Ibbotson SBBI - 2008 Valuation Yearbook. Our size premium of 5% has been based on the premiums observed for the 10th decile of stocks in Ibbotson's study (smallest stocks).

The major differences between Ascot and the comparable companies is that of size and diversification. Ascot is very small in comparison to the comparable companies, in addition the comparable companies operations are significantly more diverse both in terms of service offering and geographic location than Ascot.

Furthermore we consider that that post the Proposed Transaction the required rate on equity intuitively should be higher than pre the Proposed Transaction due to the increased risk attached to the development income stream of the Company which will be created as a result of the Proposed Transaction.

On the basis of the above, and using our professional judgement, we have adopted a specific company risk factor of 6%.

Required rate of return on debt (Rd)

The rate of return required by providers of debt includes a risk premium over and above the risk free rate that reflects the debt risk that is specific to the business being valued. This risk effectively represents the risk of default on payments.

In assessing an appropriate debt premium we have considered a number of factors including:

- the Company's' debt mix and cost of debt (currently 14%);

- the cost of debt for Australian companies similar to Ascot; and
- the gearing levels adopted for the purposes of calculating the WACC.

Based on the above we consider that an appropriate cost of debt for Ascot is 14%.

Capital structure or gearing level (D/V)

The capital structure or gearing level adopted for the purposes of undertaking the valuations should generally reflect the level of debt that can be reasonably sustained by any company operating in a particular industry as opposed to the actual capital structure adopted by the business.

The optimal capital structure of a business is driven by two main considerations:

- the tax benefits of debt finance i.e. the deductibility of interest payments for the purposes of assessing corporate tax liabilities; and
- the financial risk to equity holders i.e. the risk of financial distress as a result of over-gearing.

For the purposes of this valuation we have assumed that the WACC is equivalent to the cost of equity

Assessment of the discount rates to be used in the valuations

Based on the assumptions set out above, we have assessed the WACC in the range 17.1% to 20.5% in assessing the future cash flows of Ascot, with a preferred WACC of 18.8%.

APPENDIX E

Comparable Companies and Beta Calculation

BETA CALCULATION						
Ticker	Name	Mkt. Val. Equity	Total Debt	Net Debt	Levered Beta	Unlevered Beta(2)
ASX:AJC	Acacia Coal Limited	8.1	0.0	(6.1)	1.011	1.011
ASX:AQC	Australian Pacific Coal Limited	6.6	0.2	(0.2)	1.318	1.287
ASX:COK	Cockatoo Coal Limited	27.6	131.8	119.1	0.986	0.227
ASX:SMR	Stanmore Coal Limited	24.0	13.1	(19.3)	1.224	0.886
ASX:MTE	MetroCoal Limited	10.9	0.0	(9.9)	0.916	0.916
ASX:DYL	Deep Yellow Limited	51.5	0.3	(7.0)	1.836	1.828
ASX:DSN	Desert Mines and Metals Limited	3.8	0.0	(1.9)	1.109	1.109
ASX:EMX	Energia Minerals Limited	3.5	0.0	(2.5)	0.821	0.821
ASX:TND	Top End Minerals Limited	1.3	0.0	(1.1)	1.152	1.152
ASX:AZQ	Ascot Resources Limited	2.0	0.0	(2.2)	2.168	2.168
Average					1.254	1.140
Average Unlevered Beta for Comps				1.140		
ASX:AZQ D/E				72.6%		
ASX:AZQ P/E				0.0%		
ASX:AZQ Tax Rate				30.0%		
ASX:AZQ Levered Beta	-3			1.720		

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