For personal use only

EPIC RESOURCES LIMITED
(TO BE RENAMED ASCOT RESOURCES LIMITED)
ACN 146 530 378

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00am (WST)

DATE: Wednesday, 28 November 2012

PLACE: Blue Horse Corporate
108 Outram Street
WEST PERTH WA 6005

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Joint Company Secretary, Simon Penney on (+61 8) 9476 4500

For personal use only

CONTENTS PAGE

Letter to Shareholders	4
Notice of Annual General Meeting (setting out the proposed resolutions)	6
Explanatory Statement (explaining the proposed resolutions)	10
Glossary	35
Schedule 1 – Pro Forma Balance Sheet at 30 June 2012	42
Independent Expert's Report	Enclosed
Proxy Form	Enclosed

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00am (WST) on Wednesday 28 November 2012 at:

Blue Horse Corporate, 108 Outram Street, West Perth WA 6005

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important. You may vote by attending the meeting in person, by proxy or authorised representative.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
    - the proxy is not recorded as attending the meeting;
    - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

For personal use only

For personal use only

LETTER TO SHAREHOLDERS

Dear Shareholder

I have the pleasure of presenting an exciting opportunity which promises the potential of significant future growth for Epic Resources Limited (the **Company** or **Epic**).

The Company was incorporated on 24 September 2010 and was admitted to the official list of the ASX on 9 February 2011. The principal objectives of the Company are the discovery and/ or acquisition of commercially significant mineral projects that can be readily brought into production.

The Company currently retains the right to earn a 75% joint venture interest in the Quartz Hill Project in the Northern Territory with Cazaly Iron Pty Ltd. The Company announced to the ASX on the 20 July 2012 the successful grant of three exploration licences surrounding the Quartz Hill Project. A total of 78km² of additional ground is now held by Epic. The Quartz Hill Project is prospective for uranium and rare earth metals.

On 7 June 2012, the Company entered into an Agreement for Sale of Mining Assets to purchase the McPhees Gold Project. The McPhees Gold Project is located approximately 80 kilometres south of Port Hedland, within the Marble Bar Mineral Field, Western Australia and is comprised of two granted exploration licences, P45/2783 and E45/3648. McPhees Gold Project is prospective for gold.

As foreshadowed in the initial public offer prospectus, while continuing its existing exploration activities, the Company is also identifying and evaluating potential new acquisitions. Through that process, Epic has identified a project in the Republic of Colombia, which the Board considers will bring value to the Company.

Epic has entered into an agreement pursuant to which the Company has agreed to acquire 100% of the shares in Carbones de Colombia (**Carbones Spain**) (a company incorporated in the Spain) held by Ascot Equities Pty Ltd (ACN 109 815 876) (**Vendor**).

The Agreement will be implemented through Carbones Spain and its 90% owned subsidiary, Carbones de Titiribi (a company incorporated in Colombia) (**Carbones Titiribi**).

Carbones Titiribi holds a 100% beneficial interest in coal exploration licences HJBN-04, HJID-06 and HJLI-01 (together, the **Licences**).

The Licences are located in Colombia, in the south western part of the state in the Municipality of Titiribi and covers a total area of 200 hectares. The Project is prospective for coal.

The Agreement is subject to the satisfaction of a number of conditions precedent, including Shareholder approval which is being sought at the Annual General Meeting which is the subject of this Notice of Annual General Meeting (**Notice**). I ask that you read the Notice and attached Explanatory Statement carefully, including the associated risks, advantages and disadvantages of the Transaction.

The size of the proposed transaction represents a significant change in the Company's activities.

Your Board believes this is a unique opportunity to participate in a project which has the potential to generate significant organic growth and widespread market support for both the project and Company.

Yours sincerely



Faldi Ismail
Executive Chairman
EPIC RESOURCES LIMITED

For personal use only

For personal use only

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 10:00 (WST) on Wednesday 28 November 2012 at Blue Horse Corporate, 108 Outram Street, West Perth, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4:00pm (WST) on Monday 26 November 2012.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the period 1 July 2011 to 30 June 2012 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the Auditor's report.

1. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – MR FALDI ISMAIL

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

> *"That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Faldi Ismail a Director, retires by rotation, and being eligible, is re-elected as a Director."*

2. RESOLUTION 2 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

> *"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report, as contained in the Company's annual financial report for the financial year ended 30 June 2012."*

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, a person (the **Voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

(a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or

(b) the Voter is the Chair and the appointment of the Chair as proxy:

(i) does not specify the way the proxy is to vote on this Resolution; and

(ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES TO PETER ROMEO GIANNI

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

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 200,000 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on the Resolution by any person who participated in the issue and any associates of those persons. However, the Company will 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.

4. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement"

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any 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.

5. RESOLUTION 5 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

"For the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the

For personal use only

nature and scale of its activities as described in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. 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.

6. RESOLUTION 6 – ISSUE OF CONSIDERATION SHARES TO ASCOT EQUITIES PTY LTD

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

"That, subject to the passing of Resolution 5, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue 4,500,000 Shares to Ascot Equities Pty Ltd (or their nominees) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution 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 any 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.

7. RESOLUTION 7 – ISSUE OF DEFERRED CONSIDERATION SHARES TO ASCOT EQUITIES PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, subject to the passing of Resolutions 5 and 6, for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval be given for:

(a) the Company to allot and issue up to 73,260,000 Shares to Ascot Equities Pty Ltd; and

(b) for Ascot Equities Pty Ltd and its associates to acquire a relevant interest in voting shares in the Company, as a result of the share issue referred to in paragraph (a) of this resolution, in excess of the threshold set out in Section 606(1) of the Corporations Act."

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 (Item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 7 to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution 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 any 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,

For personal use only

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.

8. RESOLUTION 8 – ELECTION OF PAUL KOPEJTKA AS A DIRECTOR

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

> *"That, subject to and conditional on the passing of Resolutions 5 to 7 (inclusive), for the purpose of the Constitution and for all other purposes, Mr Paul Kopejtka, being eligible to act as a Director, is elected as a Director of the Company with effect from the date the Transaction is completed."*

9. RESOLUTION 9 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

> *"That, subject to the completion of the transaction for the purposes of Section 157(1)(a) of the Corporations Act, and for all other purposes the name of the Company be changed to Ascot Resources Ltd."*

DATED: THURSDAY, 18 OCTOBER 2012

BY ORDER OF THE BOARD



SIMON PENNEY
JOINT COMPANY SECRETARY

For personal use only

For personal use only

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10:00am (Perth time) on Wednesday 28 November 2012 at Blue Horse Corporate, 108 Outram Street, West Perth, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions contained in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the period from 1 July 2011 until 30 June 2012 together with the declaration of the Directors, the Directors' report, and the Auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.epicresources.com.au or on the ASX platform for "EPC" at www.asx.com.au

2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – MR FALDI ISMAIL

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

The Company currently has three Directors, accordingly, one must retire.

As all Directors have held office for the same amount of time, lots were drawn and Mr Faldi Ismail was chosen to retire by rotation. As a retiring Director is eligible for re-election under clause 13.2 Mr Faldi Ismail is put up for re-election.

3. RESOLUTION 2 – ADOPTION OF REMUNERATION REPORT

3.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2012.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

3.2 Voting consequences

Under changes to the Corporations Act that came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

At the Company's previous annual general meeting the votes cast against the remuneration report were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3.3 Proxy Restrictions

Shareholders appointing a proxy for Resolution 2 should note the following:

If you appoint a member of the Key Management Personnel as your proxy

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, ***you must direct the proxy how they are to vote***. Undirected proxies granted to these persons will not be included in any vote on Resolution 2.

If you appoint the Chair as your proxy

If you elect to appoint the Chair as your proxy, you ***do not*** need to direct the Chair how you wish them to exercise your vote on Resolution 2, however if you do not direct the Chair how to vote, ***you must tick the acknowledgement on the proxy form to acknowledge that the Chair may exercise their discretion in exercising your proxy even though Resolution 2 is connected directly or indirectly with the remuneration of Key Management Personnel***.

For personal use only

If you appoint any other person as your proxy

You ***do not*** need to direct your proxy how to vote, and you ***do not*** need to tick any further acknowledgement on the proxy form.

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES TO PETER ROMEO GIANNI

4.1 Background

On 7 June 2012, the Company announced that it had entered into an Agreement for Sale of Mining Assets with Peter Romeo Gianni and Red Field Pty Ltd (together, the **Vendors**) (**Agreement**) for the purchase of mining tenements P45/2783 and E45/3648 (**McPhees Gold Project**). Pursuant to the Agreement, the key terms of the purchase of the McPhees Gold Project was to provide cash consideration of $15,000 and issue 200,000 Shares at an issue price of $0.10 each to the Vendors. See Section 6.3 for further details regarding the McPhees Gold Project.

Resolution 3 seeks Shareholder ratification pursuant to ASX LR 7.4 for the issue of those shares.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

4.2 ASX Listing Rule disclosure requirements

As required by Listing Rule 7.5, the following information is provided in relation to the issue of the Shares to Peter Romeo Gianni:

(a) 200,000 Shares were allotted;

(b) the Shares were issued for nil cash consideration pursuant to the terms of the Agreement;

(c) the Shares were issued at a deemed issue price of $0.10 each and are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Shares were allotted and issued to Peter Romeo Gianni who is not a related party of the Company; and

(e) no funds were raised from the issue as they were issued in consideration for the acquisition of McPhees Gold Project.

For personal use only

The Directors recommend Shareholders vote in favour of Resolution 3, as it allows the Company to ratify the above issue of securities and retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY

5.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital over a period of up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

The number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 5.2 below).

If passed, the effect of Resolution 4 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 4 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

5.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

(a) is not included in the A&P/ASX 300 Index; and

(b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of $300,000,000.

The Company is an Eligible Entity as it is not included in the A&P/ASX 300 Index and has a current market capitalisation of $2,803,550.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has only one class of Equity Securities on issue, being the Shares.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

For personal use only

(A x D) – E

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

(a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;

(b) plus the number of partly paid shares that became fully paid in the previous 12 months;

(c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under this rule; and

(d) less the number of Shares cancelled in the previous 12 months.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

5.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 4:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 5.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

(i) 12 months after the date of this Meeting; and

(ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

For personal use only

For personal use only

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	**Dilution**			
	Issue Price (per Share)	**$0.047 (50% decrease in current issue price)**	**$0.094 (Current issue price)**	**$0.141 (50% increase in current issue price)**
29,825,000 (Current)	**Shares issued**	2,982,500	2,982,500	2,982,500
	Funds Raised	$140,178	$280,355	$420,533
44,737,500 (50% increase)*	**Shares issued**	4,473,750	4,473,750	4,473,750
	Funds Raised	$210,266	$420,533	$630,799
59,650,000 (100% increase)*	**Shares issued**	5,965,000	5,965,000	5,965,000
	Funds Raised	$280,355	$560,710	$841,065

***The number of Shares on issue (**variable A** in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 17 October 2012
2. The issue price set out above is the closing price of the Shares on the ASX on 17 October 2012
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

(i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and

(ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

(i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets and general working capital; or

(ii) as non-cash consideration for the acquisition of new resources assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

(e) **Allocation under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

(i) the purpose of the issue;

(ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;

(iii) the effect of the issue of the Equity Securities on the control of the Company;

(iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;

(v) prevailing market conditions; and

(vi) advice from corporate, financial and broking advisers (if applicable).

For personal use only

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company has not previously obtained approval under ASX Listing Rule 7.1A.

5.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 4.

6. OVERVIEW OF CHANGE OF ACTIVITIES

6.1 General

Epic Resources Limited is a public company listed on the official list of the ASX (ASX code: EPC) and is predominantly concerned with uranium and rare earth minerals exploration and development in Australia.

The current principal activities of the Company are:

(a) the acquisition, exploration, evaluation and exploitation of uranium deposits and the exploration of prospective uranium tenements; and

(b) the pursuit of other projects by way of acquisition or investment, that include other types of minerals, including, without limitation, coal, iron ore, copper, gold, manganese, tin, nickel and tungsten.

The funds raised by the Company upon admission to the official list of the ASX are being used in the evaluation and exploration of currently held assets, being the Quartz Hill Project (**Quartz Hill**) located in the Northern Territory and McPhees Gold Project (**McPhees**) located in Western Australia. Further details on Quartz Hill and McPhees are set out in Sections 6.2 and 6.3 respectively.

The Company has been actively and continuously seeking to identify and evaluate potential new mineral projects and opportunities in Australia and overseas suitable for acquisition and development by the Company.

6.2 Quartz Hill Project

On 29 October 2010, the Company entered into a Farm-in Agreement with Cazaly Iron Pty Ltd (**Cazaly**), pursuant to which the Company has acquired the right to earn an initial 75% interest in Quartz Hill.

Quartz Hill is located approximately 150 km east-north-east of Alice Springs, in the Northern Territory and is comprised of two granted exploration licences, EL24838 and EL25296, currently held by Cazaly. Quartz Hill is prospective for uranium and rare-earth minerals.

The Company is currently conducting a comprehensive project evaluation to identify exploration targets warranting further investigation. The Company is undertaking a review of the available historic, geological and geographical

For personal use only

data for the region, exploration targeting based on the desktop analysis and reconnaissance sampling and mapping of identified targets.

As announced to the ASX on 14 November 2011, the Company has applied for three additional exploration licences in close proximity to the Quartz Hill Project as part of its regional exploration strategy.

The Company announced to the ASX on the 20 July 2012 the successful grant of three exploration licences surrounding the Quartz Hill Project. A total of 78km² of additional ground is now licensed to Epic.

6.3 McPhees Gold Project

On 7 June 2012, the Company entered into an agreement for the Sale of Mining Assets with Peter Romeo Gianni and Red Field Pty Ltd (**Agreement**), which entitled the Company to purchase the tenements P45/2783 and E45/3648 (**McPhees Gold Project**). The key terms of the purchase of P45/2783 and E45/3648 was to provide cash consideration of $15,000 and 200,000 shares which has been completed.

McPhees Gold Project is located approximately 80 kilometres south of Port Hedland, within the Marble Bar Mineral Field, Western Australia and is comprised of two granted exploration licences, P45/2783 and E45/3648. McPhees Gold Project is prospective for gold.

The Company is currently devising an exploration program for the project.

6.4 Background to Change of Scale of Activities

On 10 August 2012, the Company announced that it had entered into a Binding Heads of agreement (**Heads of Agreement**) to acquire 100% of the shares in Carbones de Colombia (**Carbones Spain**) (**Transaction**) held by Ascot Equities Pty Ltd (**Ascot Equities**).

The Transaction will be implemented through Carbones Spain and its 90% owned subsidiary, Carbones de Titiribi (a company incorporated in Colombia) (**Carbones Titiribi**).

Carbones Titiribi holds a 100% beneficial interest in coal exploration licences HJBN-04, HJID-06, HJLI-01(together, the **Licences**). The Licences are located in Colombia and are prospective for coal. The Company intends to change the nature and scale of its activities to include coal exploration and development in Colombia and Australia.

Accordingly, Resolution 5 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company to become a coal, uranium and rare earth minerals exploration and development company with operations in Colombia.

The Company has entered into the Heads of Agreement for the purpose of acquiring 100% of the shares in Carbones Spain.

6.5 The Project

The Project consists of the Licences, as set out in **Table 1** below, covering a total land area of approximately 200Ha. Dominant land use in the region is private farming.

For personal use only

For personal use only

Table 1: Mining Licence Schedule

National Mining Register ID	State Authority ID	Area (Ha)	Status	Date Granted	Expiry Date
HJBN-04	7569	52	Granted	30 Jan 2009	30 Jan 2038
HJID-06	7425	11	Granted	4 May 2009	4 May 2038
HJLI-01	7569B	147	Granted	2 July 2009	2 July 2038

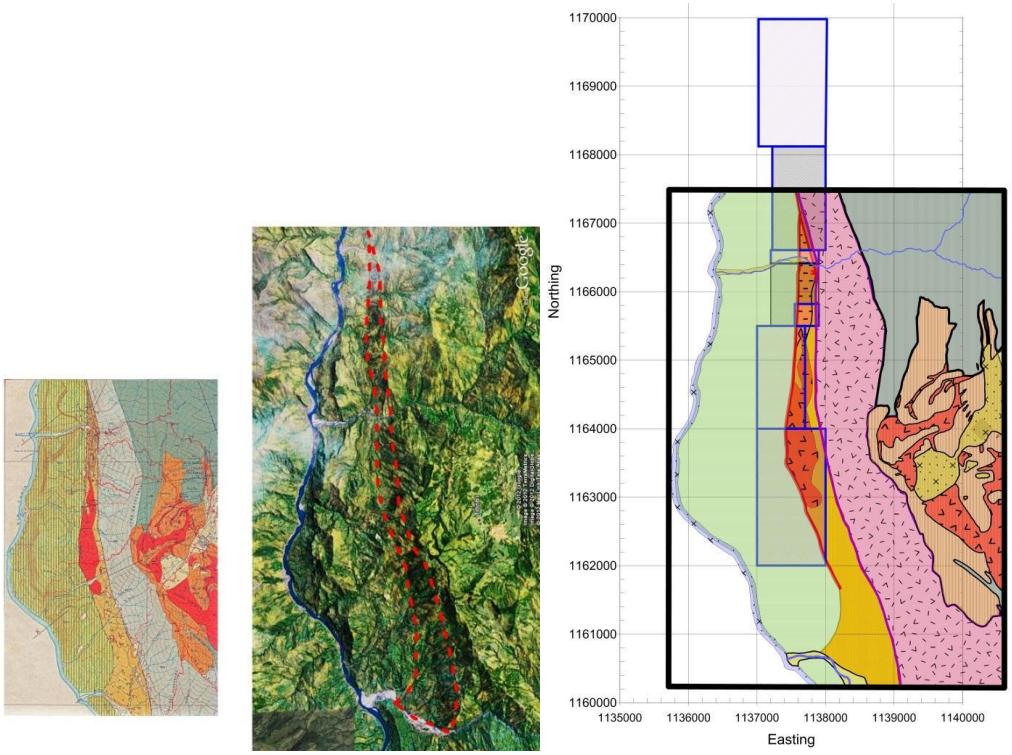


Figure 2: Regional geology of the Titiribi area and the location of the concessions.

The state of Antioquia hosts a number of coal bearing areas, with the Licences located in the southwestern part of the state in the Municipality of Titiribi. The project area offers established road infrastructure and access to ports on both the Atlantic and Pacific coasts. The State Capital, Medellin, is located approximately 70km to the north east of the town of Titiribì.

The Project sits in the valley of Rio Cauca that lies between the Cordillera Occidental and the Cordillera Central of the Andes Mountains. Access to the Project is via hard surface road to the town of Titiribì and then via semi-improved gravel roads.

The cross section below shows the general geological structure in the El Basal area extending east into the area north of Amagà with the coal bearing formation represented in brown. The El Basal coal area, Titiribì and Amaga are shown circled in blue.

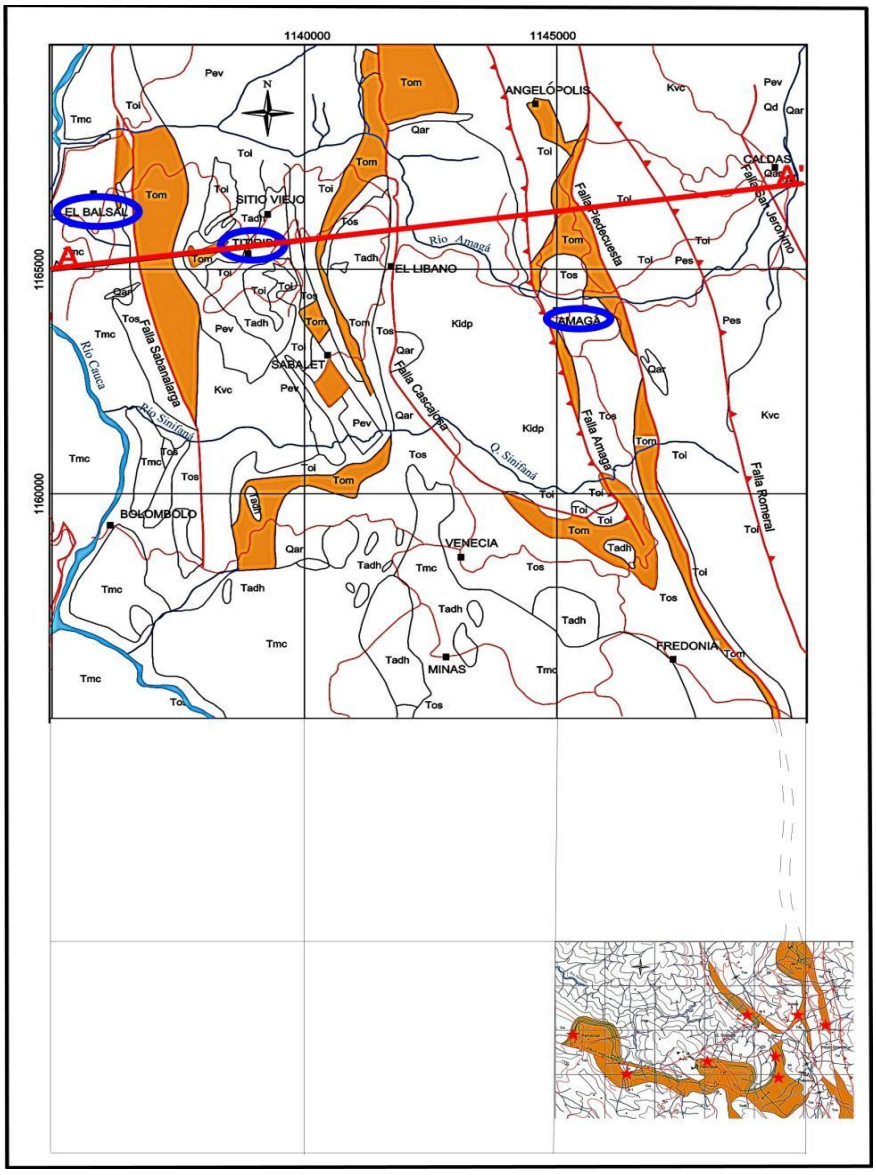


Figure 3: Local Geology

6.6 Key Terms of the Heads of Agreement

Conditions

The Heads of Agreement is subject to satisfaction of the following Conditions Precedent:

(a) completion of due diligence by Epic on Carbones Spain and Carbons Titiribi's business and operations;

(b) the shareholders of Epic approving the transactions contemplated by the Heads of Agreement in a general meeting, including a resolution authorising the allotment and issue of consideration Shares to the Vendor in accordance with the ASX Listing Rules and the Corporations Act (including Section 195(4), Section 208 and Item 7 of Section 611 of the Corporations Act);

(c) Epic obtaining any other required regulatory or Shareholder approvals; and

For personal use only

(d) Epic and the Vendor agreeing the terms upon which the Vendor will be granted an exclusive right to market on behalf of Epic all product produced from the Licences, the terms of which must be competitive with market rates and practices.

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

Consideration

The initial consideration to be paid to Ascot Equities is 4,500,000 Shares (**Consideration Shares**), and $200,000 in cash plus $300,000 as reimbursement of expenditure in securing the Licences.

Milestone Consideration Shares

Upon successful satisfaction of milestones 1, 2, 3 and 4 (as set out below) Ascot Equities will have the right to be issued up to a further 73,260,000 Shares (**Deferred Consideration Shares**).

Milestone 1:

Where, within 12 months of the satisfaction of the Conditions Precedent, Epic 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 meets the minimum specifications below (**Minimum Specifications**), Epic will issue to Ascot Equities 11,000,000 Shares (**First Deferred Consideration 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 Epic.

Milestone 2:

Where, within 18 months of the satisfaction of the Conditions Precedent, Epic successfully defines a 20Mt Inferred Resource in accordance with JORC Guidelines of coal on the Project Area that meets the Minimum Specifications, Epic will issue to Ascot Equities 11,500,000 Shares (**Second Deferred Consideration Shares**).

Milestone 3:

Where, within 24 months of the satisfaction of the Conditions Precedent, the 20 day volume weighted average trading price (**VWAP**) of the Shares on ASX equals or exceeds $0.35, Epic will issue to Ascot Equities 12,000,000 Shares (**Third Deferred Consideration Shares**).

Milestone 4:

Where, within 24 months of the satisfaction of the Conditions Precedent, Epic successfully defines a 20Mt Measured Resource in accordance with JORC Guidelines of coal on the Project Area that meets the Minimum Specifications, Epic will issue to Ascot Equities 38,760,000 Shares (**Fourth Deferred Consideration Shares**).

For personal use only

Other than as contemplated in the Heads of Agreement, Ascot Equities agreed to procure each of Carbones Spain and Carbones Titiribi to not:

(a) enter into any material contract or incur any material liability; or

(b) declare any dividends; or,

(c) vary its capital structure, without the prior written consent of the Company.

In addition, Ascot Equities agreed to procure each of Carbones Spain and Carbones Titiribi to:

(a) maintain the Licences in full force and keep the Licences in good standing and free from any liability to forfeiture or non-renewal under any relevant mining law;

(b) meet all outgoings in respect of the Licences; and

(c) observe and perform all stipulations and conditions relating to the Licences (including, without limitation, expenditure conditions prescribed under any relevant mining law) and all statutory obligations.

6.7 Pro-Forma Balance Sheet

An audited pro forma balance sheet of the Company following completion of the Transaction contemplated by this Notice of Meeting is set out in Schedule 1.

6.8 Pro-Forma Capital Structure

The capital structure of the Company following completion of the Transaction (assuming all of the deferred milestones are achieved) is set out below:

	Shares	**Options**
Currently issued capital[1]	29,825,000	3,500,000[2]
Initial Consideration Shares (Resolution 2)	4,500,000	Nil
Issued of First Deferred Consideration Shares (Resolution 3)	11,000,000	Nil
Issued of Second Deferred Consideration Shares (Resolution 3)	11,500,000	Nil
Issued of Third Deferred Consideration Shares (Resolution 3)	12,000,000	Nil
Issued of Fourth Deferred Consideration Shares (Resolution 3)	38,760,000	Nil
Total on completion of the Transaction[3]	**107,585,000**	**3,500,000**

Notes:

1. Assumes no further securities are issued prior to completion of the Transaction, other than as set out in the table.
2. Options are exercisable at $0.20 each on or before 30 January 2014.
3. Assumes that no Options are exercised.

For personal use only

6.9 Proposed Budget

The Company has current cash reserves of $3,307,306 as at the date of this Notice of Meeting.

The Company intends to apply the current cash reserves as follows:

Item	Amount
Estimated Costs of the Transaction	$200,000
Exploration expenditure on the Company's existing assets (Quartz Hill & McPhees)	$1,200,000
Expenditure on the Project	$1,100,000
Working Capital and Corporate Administration	$807,306
TOTAL	**$3,307,306**

The proposed budget table above is a statement of current intentions as at the date of this Notice of Meeting. Intervening events may alter the way funds are ultimately applied by the Company.

7. ADVANTAGES OF THE 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 Resolutions 5, 6 and 7:

(a) the Transaction represents a significant investment opportunity for the Company to diversify its interests to include coal exploration and development in a highly prospective region of the world;

(b) the acquisition of the existing company, will enable the Company to tap into the established nature of Carbones Spain, allowing the Company to avoid the start-up costs and bureaucratic delay involved in a foreigner acquiring a new company in Colombia;

(c) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Transaction;

(d) the Company will also continue to assess a range of uranium, rare earth minerals and coal exploration and mining projects within Australia and internationally for potential acquisition or joint venture, with a view to increasing the number of projects held by the Company;

(e) the Transaction will reduce risk in the Company's operating profile through increased geographic diversity and community exposure; and

(f) the Transaction represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in the Company's Shares.

7.1 Disadvantages of the Transaction

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolutions 5, 6 and 7:

For personal use only

(a) the Company will be changing the nature and scale of its activities to include coal exploration activities in Colombia, which may not be consistent with the objectives of all Shareholders;

(b) the acquisition of the Project will result in the issue of the Company's Shares to the Vendors which will have a dilutionary effect on the holdings of Shareholders;

(c) exploration activities on the Project may not identify an economically viable coal resource and accordingly the Company may not proceed any further than the initial Consideration;

(d) significant future outlays of funds will be required in the form of exploration commitments; and

(e) risk factors associated with the change in nature of the Company's activities associated with the Project. Some of these risks are summarised in Section 7.2 below.

7.2 Risk Factors

Shareholders should be aware that if the proposed Transaction is approved, the Company will be changing the scale of its activities. Based on the information available, a non-exhaustive list of risk factors are set out below:

(a) **Risks relating to the Project**

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 Licenses have been granted the rights to complete exploration on the Project. However, should mining operations commence on the Project 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 Licences.

(b) **Risk of Investing in an Emerging Market**

As Colombia is an emerging economy it is vulnerable to market downturns and economic slowdowns elsewhere in the world and is subject to rapid change. Investing in an emerging market involves greater risk than investing in more developed markets.

Investing in an emerging economy has significant legal, economic and political risks. Global financial or economic crises in any large emerging

For personal use only

market country tend to adversely affect prices in equity markets of most or all emerging market countries as investors move their money to more stable, developed markets.

Financial problems or an increase in perceived risks associated with investing in emerging economies could dampen foreign investment in Colombia and adversely affect the Colombian economy. During such times, businesses that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn.

(c) **Expropriation and Nationalism Risks**

As the Licences are located in Colombia they are subject to political, economic and other uncertainties, including the risk of expropriation and nationalisation. Legislation exists in Colombia that requires the payment of compensation in the event of an expropriation or nationalisation of assets, however, there is no assurance that such protections would be enforced and the amount of any such compensation may be lower than the price for which the expropriated asset could be sold in a free-market sale or the value of the asset as part of an ongoing business.

Any expropriation or nationalisation of the Company's assets in Colombia may have a material adverse effect on the Company's financial position and results of operations.

(d) **Colombian Physical Infrastructure**

Physical infrastructure in Colombia has been poorly maintained over the past two decades. Inadequate and dilapidated infrastructure disrupts the transportation of goods and supplies, as well as communications and adds costs to operating a business.

Rail and road networks, power-generation and transmission networks, communication systems and building stock are all particularly affected. Road conditions throughout Colombia are poor, with many roads not meeting minimum requirements for use and safety.

The current poor condition or further deterioration of Colombia's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business and interrupt the Company's business operations, including delivery of its products to customers and ability to fully comply with product quality standards, each of which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

(e) **Colombian Economy**

The Colombian Government and Central Bank frequently intervene in Colombia's economy and may make significant changes in monetary, fiscal and regulatory policy. Accordingly, operations in Colombia will be subject to potential economic instability.

Possible economic instability includes fluctuations in exchange rates, inflation, instability of prices, changes in interest rates, liquidity of domestic capital and debt markets, exchange controls, deposit

For personal use only

For personal use only

requirements on foreign borrowings, controls on capital flows, and limits on foreign trade.

In respect of foreign investment, Colombian legislation establishes a principle of equal treatment, whereby foreign investment in is treated for all purposes as a local investment. Colombia has a foreign exchange regime, which has specific rules for entry and exit of foreign capital. The mining sector is considered a "special regime" for foreign capital investment in Colombia. Companies participating in such special regime may make and receive payments in foreign currency.

(f) **Colombian Political System**

For over 60 years, Colombia has experienced a social and armed conflict. There has been considerable violence in Colombia, primarily due to the activities of guerrillas, paramilitary groups and drug cartels, in response, the Colombian Government has implemented various security policies and has strengthened its military and police forces, including through the creation of specialised units.

Despite government effort drug related crime and guerrilla activity continue to exist in Colombia. Ongoing violence in the country may have a negative impact on the Colombian political environment or on the Company, which may affect the Company's employees, assets or projects.

(g) **Colombian Tax System**

Large scale changes were made to the Colombian tax system in 2011 to encourage the development of new businesses, increase tax collections and increase government taxation controls in connection with cross-border transactions.

Companies must now pay a withholding tax on certain cross-border inbound financings. The taxation reforms and future government fiscal policies and tax legislation could increase the Company's costs of doing business in Colombia and adversely affect its results of operations and financial condition.

(h) **Colombian Legal System**

Risks associated with the Colombian legal system include inconsistencies between the application of regulations by national and regional authorities; substantial gaps in legal framework; a lack of administrative independence from political, social and commercial forces; government authorities can exercise a high degree of discretion which can give rise to inconsistent and arbitrary decision making; high degrees of alleged corruption and a lack of judicial and administrative guidance on interpreting legislation as well as a lack of sufficient commentaries on judicial rulings and legislation.

Such risks have the potential to adversely affect the Company's operations in Colombia.

(i) **Exploration and Development Risks**

The business of coal exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of

For personal use only

success. Ultimate and continuous success of these activities is dependent on many factors such as:

(i) the discovery and/or acquisition of economically recoverable reserves;

(ii) access to adequate capital for project development;

(iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;

(iv) securing and maintaining title to interests;

(v) obtaining consents and approvals necessary for the conduct of coal exploration, development and production; and

(vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from the Project undergoing an exploration and development program depends on successful exploration and establishment of production facilities. Factors including costs and reliability and commodity prices affect successful project development and operations.

Mining activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of equipment.

Industry operating risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown and environmental hazards such as accidental spills or leakages, or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

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.

(j) **Resource and Reserve Estimates**

Future resource estimates will be expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and

analysis, the estimates are likely to change. This may result in alterations to development and mining plans that may, in turn, adversely affect the project's operations.

(k) **General Economic and Political Risks**

Changes in the general economic and political climate in Colombia and on a global basis could impact on economic growth, coal prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any coal activity that may be conducted by the Company.

(l) **Commodity Price Volatility and Exchange Rate Risks**

If the Company achieves success leading to coal production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for coal, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Colombian and Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar, the Colombian Peso and the Australian Dollar as determined in international markets.

(m) **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.

(n) **Competition**

The Company will compete with other companies, including major coal companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce coal, but also carry out downstream operations on these and other products on a

For personal use only

worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

(o) **Regulatory**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

(p) **Insurance**

Insurance against all risks associated with coal production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(q) **Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify coal reserves, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reserve problems which may affect production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(r) **Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

(s) **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(t) **Market Conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

For personal use only

(ii) interest rates and inflation rates;

(iii) currency fluctuations;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(u) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(v) **Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

7.3 Plans for the Company if the Resolutions are not passed

If the Resolutions are not passed and the Company is unable to proceed with the Transaction, the Company will continue to develop its existing projects and look for potential new projects to acquire in order to maximise value for Epic Shareholders.

7.4 Directors' Recommendation

The Directors of the Company unanimously recommend the Transaction and that Shareholders vote in favour of Resolutions 5, 6 and 7. It is the view of the Directors that the Transaction will give the Company's Shareholders the opportunity to participate in a potentially significant exploration and development programme in respect of a highly prospective coal project.

8. RESOLUTION 5 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

8.1 General

Resolution 5 seeks approval from Shareholders for a change in the scale of the activities of the Company to expand the focus of the Company's activities into Columbia by acquiring 100% of the shares in Carbones Spain, held by Ascot Equities.

As outlined in Section 6 of this Explanatory Statement, the Company has entered into the Heads of Agreement whereby the Company has the right to acquire

For personal use only

Carbones Spain, which owns 90% of subsidiary company Carbones Titiribi, that in turn is the holder of certain coal exploration licences in Colombia.

The Heads of Agreement is subject to the Conditions Precedent summarised in Section 6.6 above.

A detailed description of the Project is outlined in Section 6.5 above.

8.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

(a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

(b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and

(c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in the scale of the Company's activities as a result of the Transaction requires the Company in accordance with ASX Listing Rule 11.1.2 to obtain Shareholder approval and must comply with any requirements of ASX in relation to the Notice of Meeting.

However, ASX has also indicated to the Company that the change in the scale of the Company's activities as a result of the Transaction does not require the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3.

9. RESOLUTION 6 – ISSUE OF CONSIDERATION SHARES TO ASCOT EQUITIES PTY LTD

9.1 General

As outlined in Section 6 of this Explanatory Statement, the Company has entered into a Heads of Agreement whereby the Company agreed to acquire 100% of the shares in Carbones Spain held by Ascot Equities.

As consideration for the acquisition of shares in Carbones Spain, the Company is required, subject to Shareholder approval, to issue initial consideration to the Vendor (or its respective nominees). The initial consideration is 4,500,000 fully paid ordinary shares in the capital of the Company (**Consideration Shares**) and $200,000 in cash plus $300,000 as reimbursement of expenditure in securing the Licences.

9.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 4.1above.

The effect of Resolution 6 will be to allow the Directors to issue the Shares pursuant to the Heads of Agreement during the period of three months after the Meeting (or a longer period if allowed by ASX), without using the Company's 15% annual placement capacity.

For personal use only

9.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

(a) the maximum number of Shares to be issued is 4,500,000;

(b) the Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;

(c) the Shares will be issued for nil cash consideration in satisfaction of the terms of the Heads of Agreement;

(d) the Shares will be allotted and issued to Ascot Equities, who is not a related party of the Company;

(e) the Shares issued 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

(f) no funds will be raised because the Shares are being issued in consideration for the acquisition of the 100% of the issued capital in Carbones Spain, pursuant to the Heads of Agreement.

10. RESOLUTION 7 – ISSUE OF DEFERRED CONSIDERATION SHARES TO ASCOT EQUITIES PTY LTD

10.1 General

Resolution 7 seeks Shareholder approval pursuant to Item 7 of Section 611 of the Corporations Act, for Ascot Equities' voting power in the Company to increase from 20% or below to more than 20% when Ascot Equities is issued the Deferred Consideration Shares.

The passing of Resolution 7 is subject to the passing of Resolutions 5 and 6.

10.2 Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

Voting Power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

For personal use only

Associates

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

(a) the first person is a body corporate and the second person is:

(i) a body corporate the first person controls;

(ii) a body corporate that controls the first person; or

(iii) a body corporate that is controlled by an entity that controls the person;

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

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

Ascot Equities does not have any Associates with relevant interests in the Company's Shares.

Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they :

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(a) a body corporate in which the person's voting power is above 20%;

(b) a body corporate that the person controls.

Ascot Equities does not currently have a relevant interest in the Company's issued Share.

10.3 Reason why Section 611 approval required

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition described in Section 10.2 above, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

For personal use only

Under the terms of the Heads of Agreement, Ascot Equities may acquire up to 73,260,000 Deferred Consideration Shares. This will result in the voting power of Ascot Equities exceeding 20% following the issue and allotment of the Deferred Consideration Shares. For further details regarding the Heads of Agreement see Section 6.6 above.

10.4 Specific Information Required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RSM Bird Cameron Corporate Pty Ltd annexed to this Notice of Meeting at Annexure 1.

(a) **Acquirer**

Ascot Equities has entered into the Transaction, pursuant to the Heads of Agreement, on the terms and conditions set out in Section 6.4.

Ascot Equities is an Australian proprietary company, with a strong foundation in the mining industry.

Mr Paul Kopejtka (a proposed director of the Company as part of the Transaction) is a shareholder in Ascot Equities. Mr Kopejtka is therefore considered an "associate" of Ascot Equities under the Corporations Act.

(b) **Relevant Interests and Voting Power**

As at the date of this Notice, Ascot Equities does not have any relevant interest in the voting shares of the Company.

The relevant interests of Ascot Equities and the voting power of Ascot Equities immediately before and after the issue of the Consideration Shares the subject of Resolution 6 and the Deferred Consideration Shares the subject of Resolution 7 are set out in the table below (each column assumes that no other Shares are issued or Options exercised at the relevant time unless otherwise stated):

	As at the date of this Notice of Meeting	After the Shares are issued pursuant to Resolution 6	After the Shares are issued pursuant to Resolution 7
Total Shares on Issue	29,825,000	34,325,000	107,585,000[1]
Ascot Equity Shares on issue	0	4,500,000	77,760,000
Ascot Equity % interest	0%	13.11%	72.28%

Notes:

1. Assumes that the maximum number of Deferred Consideration Shares are issued to Ascot Equities.

For personal use only

Therefore, the maximum voting power that Ascot Equities could hold after the completion of the Transaction, provided that each of the Milestones set out in Section 6.6 are met, is 72.28%. This represents an increase from 0% to up to 72.28%.

The above calculations assume that no further Shares are issued by the Company, which is a likely event at some point in time.

(c) **Other Relevant Agreements**

Other than the Heads of Agreement, there are no other agreements entered into between the Company and Ascot Equities or Paul Kopejtka.

However, Carbones Titiribi has entered into a marketing agreement with Ascot Equities (or one of its associated entities) (**Service Provider**) pursuant to which Carbones Titiribi will grant the Service Provider the right to exclusively market all coal produced from the Project for sale in return for a fee equal to 2% of the gross sales proceeds received from sales of coal.

In addition, cash payments will be due and payable to the holder of the 10% interest in Carbones Titiribi ("**Minority Holder**"):

(i) a cash milestone payment - USD$1 million upon first quarterly production annualised at 300,000 tonnes per annum from the Licences; and

(ii) bonus payments - JORC reserve linked:

(i) if less than a 20 million tonne JORC reserve of coal is delineated on the Licence Area - no cash payments will be due to the Minority Holder;

(ii) if a 20 to 30 million tonne JORC reserve of coal is delineated on the Licence Area – the Minority Holder will be entitled to a cash payment equal to USD$0.80 per tonne of coal defined, payable USD$0.10 in cash (within 60 days of receiving the JORC certification) and USD$0.70 as production royalty;

(iii) if a 30 to 45 million tonne JORC reserve of coal is delineated on the Licence Area – the Minority Holder will be entitled to a cash payment equal to USD$1.00 per tonne of coal defined, payable USD$0.25 in cash (within 60 days of receiving the JORC certification) and USD$0.75 as production royalty;

(iv) if a 45 to 60 million tonne JORC reserve of coal is delineated on the Licence Area – the Minority Holder will be entitled to a cash payment equal to USD$1.00 per tonne of coal defined, payable USD$0.35 in cash (within 60 days of receiving the JORC certification) and USD$0.65 as production royalty;

(v) if a 60 to 75 million tonne JORC reserve of coal is delineated on the Licence Area – the Minority Holder will be entitled to a cash payment equal to USD$1.00 per tonne of coal defined, payable USD$0.50 in cash

For personal use only

(within 60 days of receiving the JORC certification) and USD$0.50 as production royalty; and

(vi) if in excess of a 75 million tonne JORC reserve of coal is delineated on the Licence Area – the Minority Holder will be entitled to a cash payment equal to USD$1.00 per tonne of coal defined, payable USD$0.75 in cash (within 60 days of receiving the JORC certification) and USD$0.25 as production royalty.

(d) **Ascot Equities' Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Ascot Equities and its Associates:

(i) have no intention of making any significant changes to the business of the Company;

(ii) have no intention to inject further capital into the Company;

(iii) have no intention of making changes regarding the future employment of the present employees of the Company, other than as contemplated under the Heads of Agreement;

(iv) do not intend to redeploy any fixed assets of the Company;

(v) do not intend to transfer any property between the Company and Ascot Equities; and

(vi) do not intend to significantly change the financial or dividend distribution policies of the Company.

These intentions are based on the Company's understanding of Ascot Equities' intentions as at the date of this Notice and on information concerning the Company, its business and the business environment which is known to Ascot Equities at the date of this document, which is limited to the publicly available information of the Company.

Final decisions regarding these matters will only be made by Ascot equities in light of material information and circumstances at the relevant time. Accordingly, the statements set out above are statements of current intention only, which may change as new information becomes available to it or as circumstances change.

(e) **Particulars of proposed allotment and timing**

The particulars and timing for the issue of the Deferred Consideration Shares are outlined in Section 6.6 above.

(f) **Reason for the proposed allotment**

The Deferred Consideration Shares will be issued in consideration for the Transaction and subject only to achieving the agreed performance milestones.

(g) **Capital Structure**

The proposed capital structure of the Company following completion of the Transaction is set out in Section 6.8 above.

For personal use only

(h) **Directors' Interests**

The Directors do not have any interest in any shares in Ascot Equities.

(i) **Future Directors**

As part of the Transaction, the Company must appoint Mr Paul Kopejtka to its board. Information on this future director is set out in section 11.1 below.

(j) **Directors' Recommendation**

The Directors of the Company recommend that Shareholders vote in favour of Resolution 7 on the basis that issuing the Deferred Consideration Shares will allow the Company to complete the Transaction, which, in turn, will add value to the Company and allow the Company to have the potential to take advantage of the assets acquired through the Transaction in the future.

(k) **Independent Expert's Report**

The Independent Expert's Report assesses whether the acquisition of Shares outlined in Resolution 7 is fair and reasonable to the Shareholders who are not associated with Ascot Equities.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed acquisition the subject of Resolution 7. This assessment is designed to assist all Shareholders in reaching their voting decision.

The Independent Expert has provided an opinion that it believes the proposal as outlined in the Resolution is, on balance, both fair and reasonable to the Shareholders of the Company not associated with Ascot Equities. It is recommended that all Shareholders read the Independent Expert's Report in full.

The Independent Expert's Report is enclosed with this Notice of Meeting in Annexure 1. The Independent Expert's Report contains the Technical Geological Valuation Report which has been prepared by Salva Resources Pty Ltd.

11. RESOLUTION 8 – ELECTION OF MR PAUL KOPEJTKA

11.1 Background

Resolution 8 seeks Shareholder approval for the election of Mr Paul Kopejtka, as Director of the Company, following the completion of the Transaction. All of the Company's three current Directors, Mr Faldi Ismail, Mr Robert Jewson and Mr Francis Desouza will remain as Directors of the Company.

Clause 13.3 of the Company's Constitution, the Company may elect a person as a Director by resolution passed in general meeting. Accordingly, pursuant to Clause 13.3 of the Constitution, Resolution 8 seeks Shareholder approval of the election of Mr Paul Kopejtka.

For personal use only

11.2 Qualifications of Mr Paul Kopejtka

Set out below is a summary of the qualifications and experience of Mr Paul Kopejtka:

Mr Kopejtka has a Bachelor's Degree in Chemical Engineering and is a member of the Australian Institute of Company Directors. Mr Kopejtka was a founding director, shareholder and former Executive Chairman of Murchison Metals Limited (Murchison). Under Paul's leadership, Murchison successfully developed the Jack Hills Iron Ore Stage 1 mine producing 2Mtpa of high grade Iron Ore. In late 2007, Murchison entered into a Joint Venture with Mitsubishi Corp. to jointly develop the Jack Hills Stage 2 project. More recently Murchison sold its 50% share in the Joint Venture to Mitsubishi Corp.

12. RESOLUTION 9 - CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 9 seeks the approval of Shareholders for the Company to change its name to Ascot Resources Ltd.

If Resolution 9 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 9 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Transaction in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

13. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+61 8) 9476 4500 if they have any queries in respect of the matters set out in these document

For personal use only

For personal use only

GLOSSARY

10% Placement Capacity has the meaning given in section 5.1 of this Notice.

$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Binding Heads of Agreement means the binding heads of agreement between the Company and the Vendor dated 6 August 2012, pursuant to which the Company has acquired the right to progressively earn up to a 100% interest in Carbones de Colombia and accordingly, earn up to a 100% interest in the Project.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Carbones Titiribi means Carbones de Titiribi (a company incorporated Colombia).

Carbones Spain means Carbones de Colombia (a company incorporated in Spain).

Closely Related Party of a member of the Key Management Personnel means:

(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 *Corporations Regulations 2001 (Cth*).

Company means Epic Resources Limited (ACN 146 530 378).

Conditions Precedent means the conditions precedent to the Binding Heads of Agreement, as set out in Section 6.6 of the Explanatory Statement.

Consideration Shares has the meaning given to it in Section 6.6 of the Explanatory Statement.

Constitution means the Company's constitution.

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

Directors mean the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Eligible Entity means an entity that, at the date of the relevant general meeting:

(a) is not included in the A&P/ASX 300 Index; and

(b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of $300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

First Deferred Consideration Shares means 11,000,000 Shares.

Fourth Deferred Consideration Shares means 38,760,000 Shares.

JORC Guidelines for Coal means Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves.

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.

Licences means HJBN-04, HJID-06 and HJLI-01.

McPhees Gold Project means the mining tenements P45/2783 and E45/3648, located approximately 80 kilometres south of Port Hedland, within the Marble Bar Mineral Field, Western Australia.

Minimum Specifications has the meaning given to it in Section 6.6 of the Explanatory Statement.

Milestone Consideration Shares has the meaning given to it in Section 6.6 of the Explanatory Statement

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2012.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Second Deferred Consideration Shares means 11,500,000 Shares.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Third Deferred Consideration Shares means 12,000,000 Shares.

WST means Western Standard Time as observed in Perth, Western Australia.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

For personal use only

Proxy Form means the proxy form accompanying the Notice.

Quartz Hill means the mining tenements EL24838 and EL25296, located approximately 150 km east-north-east of Alice Springs, in the Northern Territory.

Shareholder means a holder of a Share

Vendors means Ascot Equities Pty Ltd (ACN 109 815 876).

For personal use only

SCHEDULE 1 - PROFORMA BALANCE SHEET AS AT 30 JUNE 2012

	Note	Audited 30-Jun-12	Proforma Adjustments	Proforma 30-Jun-12
		$		
Current Assets				
Cash & cash equivalents	1	3,461,140	(500,000)	2,961,140
Trade & other receivables		12,281	-	12,281
Other assets		6,665	-	6,665
Total Current Assets		3,480,086	(500,000)	2,980,086
Non-Current Assets				
Plant & equipment		3,218	-	3,218
Exploration & evaluation expenditure	1,2	354,870	7,809,440	8,164,310
Total Non-Current Assets		358,088	7,809,440	8,167,528
TOTAL ASSETS		3,838,174	7,309,440	11,147,614
Current Liabilities				
Trade & other payables		12,432	-	12,432
Total Current Liabilities		12,432	-	12,432
TOTAL LIABILITIES		12,432	-	12,432
NET ASSETS		3,825,742	7,309,440	11,135,182
Equity attributable to the equity holders of the Company				
Contributed equity	2	4,192,912	7,309,440	11,502,352
Reserves		355,123	-	355,123
Accumulated losses		(722,293)	-	(722,293)
TOTAL EQUITY		3,825,742	7,309,440	11,135,182

Notes:

The pro-forma information has been included for illustrative purposes to reflect the position of Epic Resources Limited on assumption that the following transactions had occurred as at 30 June 2012:

1. The payment to Ascot Equities of the initial consideration of $200,000 in cash plus $300,000 as reimbursement of expenditure in securing the Licenses.

2. The issue of 77,760,000 Shares at 9.4 cents pursuant to the initial consideration and Milestones 1, 2, 3 and 4 of the Transaction (based on the closing price of the Company's Shares as at 17 October 2012 of 9.4 cents).

For personal use only

PROXY FORM

APPOINTMENT OF PROXY
EPIC RESOURCES LIMITED
ACN 146 530 378

ANNUAL GENERAL MEETING

I/We _____

of _____

being a member of Epic Resources Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint _____

Name of proxy

OR ☐ the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 10:00am (Perth time), on Wednesday 28 November 2012 at Blue Horse Corporate, 108 Outram Street, West Perth, Western Australia and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Re-Election of Director – Mr Faldi Ismail	☐	☐	☐
Resolution 2 – Adoption of Remuneration Report	☐	☐	☐
Resolution 3 – Ratification of Prior Issue of Shares to Peter Romeo Gianni	☐	☐	☐
Resolution 4 – Approval of 10% Placement Capacity	☐	☐	☐
Resolution 5 – Change to Nature and Scale of Activities	☐	☐	☐
Resolution 6 – Issue of Consideration Shares to Ascot Equities Pty Ltd	☐	☐	☐
Resolution 7 – Issue of Deferred Consideration Shares to Ascot Equities Pty Ltd	☐	☐	☐
Resolution 8 – Election of Paul Kopejtka as a Director	☐	☐	☐
Resolution 9 – Change of Company Name	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Important for Resolution 2

If a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of such a member is your proxy you must direct your proxy how to vote on Resolution 2 unless that person is also the Chair in which case you must, in the absence of a direction how to vote, expressly authorise the Chair to exercise the proxy by marking the box below.

☐ I/we direct the Chair to vote in accordance with his voting intentions on Resolution 2 (except where I/we have indicated a different voting intention above) and acknowledge that the Chair may exercise my/our proxy even though Resolution 2 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 2 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 2.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

Signature of Member(s): **Date:**

_____

Individual or Member 1	**Member 2**	**Member 3**
Sole Director/Company Secretary	**Director**	**Director/Company Secretary**

Contact Name: _____ **Contact Ph (daytime):** _____

For personal use only

For personal use only

EPIC RESOURCES LIMTIED
ACN 146 530 378

Instructions for Completing 'Appointment of Proxy' Form

1. (**Appointing a Proxy**): A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.

2. (**Direction to Vote**): A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.

3. (**Signing Instructions**):

   - (**Individual**): Where the holding is in one name, the member must sign.
   - (**Joint Holding**): Where the holding is in more than one name, all of the members should sign.
   - (**Power of Attorney**): If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
   - (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

4. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.

5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   (a) Post to Epic Resources Limited, PO Box 1346, West Perth WA 6872; or

   (b) Facsimile to the Company on facsimile number +61 8 6314 1587 or

   (c) Email to the Company at simon@bluehorse.com.au,

   so that it is received not less than 48 hours prior to commencement of the Meeting.

   Proxy forms received later than this time will be invalid.

RSM Bird Cameron Corporate Pty Ltd

For personal use only

Epic Resources Limited

Financial Services Guide and Independent Expert's Report

10 October 2012

RSM Bird Cameron Corporate Pty Ltd

RSM Bird Cameron Corporate Pty Ltd
8 St Georges Terrace, Perth, WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 **F** +61 8 9261 9102
www.rsmi.com.au

For personal use only

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.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

For personal use only

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 the FSG.

For personal use only

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Independent Expert's Report

TABLE OF CONTENTS Page

1. Introduction 6
2. Summary and Conclusion 8
3. Summary of Proposed Transactions 11
4. Purpose of this Report 14
5. Profile of Epic 16
6. Profile of Carbones Spain 21
7. Valuation Methodologies 22
8. Valuation of Epic (pre Proposed Transactions) 26
9. Valuation of Carbones Spain and the Titiribi Project 31
10. Valuation of the Merged Group 33
11. Is the Proposed Transaction Fair 37
12. Other Factors taken into Consideration in Forming our Opinion 39

Appendix 1 – Declarations and Disclaimers

Appendix 2 – Sources of Information

Appendix 3 – Glossary of Terms

Appendix 4 – Overview of the Global Coal Industry

Appendix 5 – Independent Assessment & Mineral Asset Valuation by Salva Resources Pty Ltd

For personal use only

RSM Bird Cameron Corporate Pty Ltd
AFS Licence No 255847

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

For personal use only

10 October 2012

The Directors
Epic Resources Limited
108 Outram Street
WEST PERTH WA 6005

Dear Sirs

Independent Expert's Report

1. Introduction

1.1. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of Meeting and Explanatory Statement for shareholders for the Annual General Meeting of Epic Resources Limited ("Epic" or "the Company") to be held in November 2012, at which shareholder approval will be sought for a number of resolutions relating to the proposed acquisition of Carbones de Colombia ("Carbones Spain") the holder of certain coal exploration licences in Colombia ("the Proposed Transaction") through:

- the proposed issue of 4,500,000 fully paid ordinary shares in Epic;
- the payment of $500,000 in cash (including $300,000 in cash as reimbursement of expenditure in securing the Licences); and
- the proposed issue of 73,260,000 Performance Shares.

1.2. The Proposed Transaction is subject to the satisfactory completion of due diligence by Epic and Epic receiving all required shareholder approvals as well as regulatory approvals.

1.3. The resolutions relating to the proposed acquisition of Carbones Spain are as follows:

Resolution 5 – change to nature and scale of activities

"For the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement."

Resolution 6 – Issue of Consideration Shares to Ascot Equities Pty Ltd

"That, subject to the passing of Resolution 5, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue 4,500,000 Shares to Ascot Equities Pty Ltd (or their nominees) on the terms and conditions set out in the Explanatory Statement."

For personal use only

Resolution 7 – Issue of deferred Consideration Shares to Ascot Equities Pty Ltd

"That, subject to the passing of Resolutions 5 and 6, for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval be given for:

(a) the Company to allot and issue up to 73,260,000 Shares to Ascot Equities Pty Ltd; and

(b) for Ascot Equities Pty Ltd and its associates to acquire a relevant interest in voting shares in the Company, as a result of the share issue referred to in paragraph (a) of this resolution, in excess of the threshold set out in Section 606(1) of the Corporations Act."

1.4. The issue of between 4,500,000 and 77,760,000 shares to Ascot Equities Pty Ltd ("Ascot"), the vendors of Carbones Spain, may result in Ascot owning greater than 20% of the issued share capital of Epic and therefore, under Section 611, Item 7 of the Corporations Act 2001, requires the approval of shareholders not associated with the acquisition ("the Non-Associated Shareholders") in a general meeting.

1.5. The Directors of Epic have requested that RSM Bird Cameron Corporate Pty Ltd, being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction as set out in Resolution 7 is fair and reasonable to the Non-Associated Shareholders in accordance with Section 611, Item 7 of the Corporations Act 2011.

1.6. Whilst we have only been requested to provide an opinion on whether Resolution 7 is fair and reasonable to the Non-Associated Shareholders, approval of Resolution 7 is subject to the passing of Resolutions 5 and 6, and as such we consider Resolutions 5 to 7 to be part of the same transaction. On this basis we have assessed whether Resolution 7 is fair and reasonable to Non-Associated Shareholders through evaluating whether the Proposed Transaction as a whole, comprising Resolutions 5 to 7 are fair and reasonable to the Non-Associated Shareholders.

1.7. The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction, or matters dealt with in this Report, Shareholders should seek independent professional advice.

For personal use only

2. Summary and Conclusion

2.1. In our opinion, and for the reasons set out in Sections 11 and 12 of this Report, for the purposes of Section 611, Item 7 of the Corporations Act 2001, the Proposed Transaction is **Fair and Reasonable** for the Non-Associated Shareholders of Epic.

Fairness

2.2. In order to assess the fairness of the Proposed Transaction, we assessed the value of a share in Epic prior to the announcement of the Proposed Transaction and a share in Epic assuming the Proposed Transaction is completed to determine whether a Non-Associated Shareholder would be better off should the Proposed Transaction be approved.

2.3. Due to the contingent nature of much of the consideration comprising the Proposed Transaction, our assessed value of an Epic share after the Proposed Transaction has been addressed under four different scenarios as described in Section 7 of this Report.

2.4. Our assessed values are summarised in the table below.

		Valuation Low $	Valuation High $
Value per share prior to the Proposed Transaction (Control Basis)		$0.127	$0.139
Scenario 1 (Minority Basis)	Issue of 4,500,000 ordinary shares and payment of $500,000 cash No milestones are met	$0.122	$0.149
Scenario 2 (Minority Basis)	Issue of 15,500,000 ordinary shares and payment of $500,000 cash Milestone 1 is met	$0.102	$0.167
Scenario 3 (Minority Basis)	Issue of 27,000,000 ordinary shares and payment of $500,000 cash Milestones 1 and 2 are met	$0.121	$0.214
Scenario 4 (Minority Basis)	Issue of 65,700,000 ordinary shares and payment of $500,000 cash Milestones 1, 2 and 4 are met	$0.087	$0.163

Table 1: Valuation Summary

2.5. The high end of our assessment of the values of a share in Epic, assuming the Proposed Transaction is approved, on a minority basis, fall within or are above, our assessed value of a share in Epic prior to the announcement of the Proposed Transaction, on a controlling basis, for all of the scenarios considered.

2.6. In accordance with the guidance set out in Australian Securities and Investment Commission Regulatory Guide 111 – Content of Expert Reports ("ASIC RG 111"), and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be **Fair** to the Non-Associated Shareholders of Epic.

For personal use only

2.7. Set out below is a graphic representation of our fairness assessment.

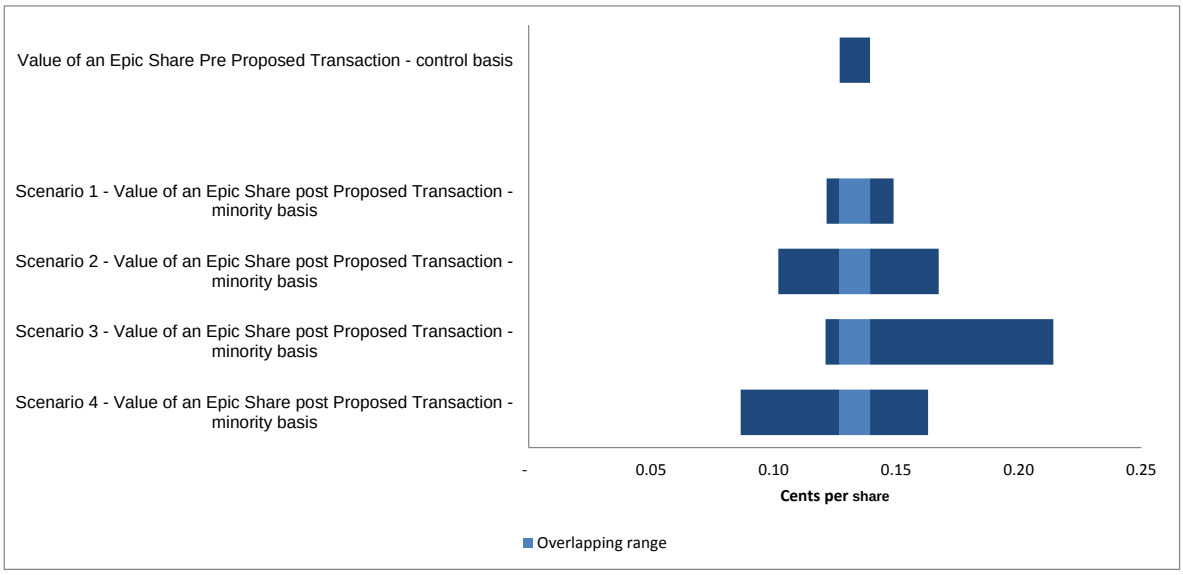


Figure 1: Epic Share Valuation Graphical Representation

2.8. Whilst we have concluded that the Proposed Transaction is fair, we note the low end of our assessed valuation range of a share in Epic on a minority basis immediately after the Proposed Transaction is below our assessed valuation range of Epic prior to the Proposed Transaction on a control basis for all of the scenarios considered.

2.9. We note that the minimum value of the Epic shares post Proposed Transaction on a minority basis required to ensure the Non-Associated Shareholders are not disadvantaged financially by implementing the Proposed Transaction is $0.127.

Reasonableness

2.10. In accordance with the guidance provided in RG 111, as the Proposed Transaction is fair, it must be reasonable. Notwithstanding this, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed.
    - If the Proposed Transaction is not successful, Epic will continue to actively seek investment opportunities and continue to develop its existing exploration assets, the Quartz Hill Project and the McPhees Gold Project.
    - As at 30 June 2012, the Company disclosed a net asset position of circa $3.8 million and cash balances of circa $3.5 million. Therefore, the Company still has sufficient reserves to enable it to pursue alternative investment opportunities.
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.11. In our opinion, the key advantages of the Proposed Transaction are:

For personal use only

- the Proposed Transaction is fair;
- the Proposed Transaction represents an opportunity for the Company to diversify its interests to include coal exploration and development in a highly prospective region of the world;
- the Proposed Transaction may enhance the Company's ability to raise further capital due to the increased size of the Company; and
- Epic shares have been relatively illiquid since listing in February 2011, as outlined in paragraph 8.8 of this Report. Completion of the Proposed Transaction may create increased interest in Epic shares which could improve liquidity and enable shareholders to sell their shares efficiently.

2.12. The key disadvantages of the Proposed Transaction are:

- immediately after the Proposed Transaction including non-contingent elements, current shareholders' interests will be diluted from 100.0% to 86.9%. Dependant on the number of milestones achieved, current shareholders' interests could be further diluted from 100.0% to 27.7%;
- the Company will be changing the nature and scale of its activities to include coal exploration activities in Colombia, which may not be consistent with the objectives of all Shareholders;
- the risk profile of Epic will change should shareholders approve the Proposed Transaction and Epic will become exposed to the risks associated with operating in Colombia;
- whilst the Company currently has cash reserves of circa $3.4 million, it is likely that to enable a full appraisal of the mineral potential of the Titiribi Project, further capital raisings will be required. This may further dilute the interests of the Non-Associated Shareholders if they do not participate in these capital raisings; and
- approval of the Proposed Transaction could reduce the attractiveness of the Company as a takeover target.

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

2.14. In the absence of any other relevant information and/or a superior offer, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider that the Proposed Transaction is **Reasonable** for the Non-Associated Shareholders of Epic.

For personal use only

3. Summary of Proposed Transactions

3.1. On 10 August 2012, Epic announced that it had entered into an agreement to purchase from Ascot, all of the issued shares in Carbones Spain. Carbones Spain owns 90% of the issued equity in its subsidiary company, Carbones de Titiribi (a company incorporated in Colombia) ("Carbones Titiribi"), that is in turn the holder of certain coal exploration licences in Colombia (the "Licences"). The coal exploration licences are valid until 2038.

Consideration

3.2. The initial consideration to be paid to Ascot is 4,500,000 fully paid ordinary shares in the capital of Epic and $500,000 in cash (including $300,000 in cash as reimbursement of expenditure in securing the licences). In addition, Ascot will be entitled to up to an additional 73,260,000 fully paid ordinary shares in the capital of Epic ("the Performance Shares"), upon successful satisfaction of milestones 1, 2, 3 and 4 as set out below. We note that on 5 October 2012, Epic announced a variation to milestones 3 and 4, this variation is reflected in the summary set below.

Milestone 1

3.3. Where within 12 months of settlement, Epic 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 set out below, Epic will issue to Ascot a further 11,000,000 shares.

3.4. Except as otherwise agreed to by Epic, the minimum specifications means coal that has the following minimum characteristics (on an as received basis) ("the Minimum Specifications"):

- >5,500kcal/kg
- <15% Ash; and
- <1% Sulphur.

Milestone 2

3.5. Where, within 18 months of settlement, Epic successfully defines a 20Mt Inferred resource in accordance with JORC Guidelines of coal on the Project Area that meets the Minimum Specifications, Epic will issue to Ascot a further 11,500,000 shares.

Milestone 3

3.6. Where, within 24 months of settlement, the 20 day volume weighted average trading price of Epic's shares on the ASX exceeds $0.35, Epic will issue to Ascot a further 12,000,000 shares.

Milestone 4

Where, within 24 months of settlement, Epic successfully defines a 20Mt Measured Resource in accordance with JORC Guidelines of coal on the Project Area that meets the minimum specifications, Epic will issue to Ascot a further 38,760,000 shares.

For personal use only

Impact of the Proposed Transaction on Epic's share structure

3.7. The final number of shares to be issued as a result of the Proposed Transaction is contingent on the number of milestones achieved within the defined timeframes. Accordingly, in the table below we have summarised the impact of the Proposed Transaction on Epic's share structure under a number of possible scenarios.

	Milestones achieved				Number of shares	%
	Milestone 1	Milestone 2	Milestone 3	Milestone 4		
Issued share capital as at the date of this report pre consolidation					29,825,000	100.0%
No milestones achieved	N	N	N	N		
Current shareholders					29,825,000	86.9%
Shares issued to Ascot					4,500,000	13.1%
					34,325,000	100.0%
Milestone 1 achieved and no further milestones achieved	Y	N	N	N		
Current shareholders					29,825,000	65.8%
Shares issued to Ascot					15,500,000	34.2%
					45,325,000	100.0%
Milestones 1 and 3 achieved and no further milestones achieved	Y	N	Y	N		
Current shareholders					29,825,000	52.0%
Shares issued to Ascot					27,500,000	48.0%
					57,325,000	100.0%
Milestones 1 and 2 achieved and no further milestones achieved	Y	Y	N	N		
Current shareholders					29,825,000	52.5%
Shares issued to Ascot					27,000,000	47.5%
					56,825,000	100.0%
Milestones 1, 2 and 3 achieved and milestone 4 not achieved	Y	Y	Y	N		
Current shareholders					29,825,000	43.3%
Shares issued to Ascot					39,000,000	56.7%
					68,825,000	100.0%
Milestones 1, 2 and 4 achieved and milestone 3 not achieved	Y	Y	N	Y		
Current shareholders					29,825,000	31.2%
Shares issued to Ascot					65,760,000	68.8%
					95,585,000	100.0%
Milestones 1, 2, 3 and 4 achieved	Y	Y	Y	Y		
Current shareholders					29,825,000	27.7%
Shares issued to Ascot					77,760,000	72.3%
					107,585,000	100.0%

Table 2: Epic share structure pre and post the Proposed Transaction under the number of possible scenarios

3.8. Based on the approval of the Proposed Transaction, current shareholders' interests in Epic will be diluted from 100% to between 86.9% and 27.7%.

3.9. Whilst Milestones 1, 2 and 4 may each be achieved without the preceding milestones having been achieved (for example, Milestone 2 may be achieved in the period between 12 and 24 months after settlement, without Milestone 1 being achieved), we have only considered scenarios which assumes that preceding milestones have been met, on the basis that this represents the greatest possible dilution of Non-Associated Shareholder interests.

For personal use only

Payments due to minority holder in Carbones Titiribi

3.10. In addition to the above, the following cash payments will be due and payable to the holder of the 10% interest in Carbones Titiribi:

(a) a cash milestone payment – US$1 million upon first quarterly production annualised at 300,000 tonnes per annum from the Licences; and

(b) bonus payments linked to JORC reserves:

(i) if less than a 20 million tonne JORC reserve of coal is delineated on the Licence Area – no cash payments will be due;

(ii) if a 20 to 30 million tonne JORC reserve of coal is delineated on the Licence Area – a cash payment equal to US$0.80 per tonne of coal will be payable, US$0.10 in cash (within 60 days of receiving the JORC certification) and US$0.70 as production royalty;

(ii) if a 30 to 45 million tonne JORC reserve of coal is delineated on the Licence Area – a cash payment equal to US$1.00 per tonne of coal will be payable, US$0.25 in cash (within 60 days of receiving the JORC certification) and US$0.75 as production royalty;

(ii) if a 45 to 60 million tonne JORC reserve of coal is delineated on the Licence Area – a cash payment equal to US$1.00 per tonne of coal will be payable, US$0.35 in cash (within 60 days of receiving the JORC certification) and US$0.65 as production royalty;

(ii) if a 60 to 75 million tonne JORC reserve of coal is delineated on the Licence Area – a cash payment equal to US$1.00 per tonne of coal will be payable, US$0.50 in cash (within 60 days of receiving the JORC certification) and US$0.50 as production royalty;

(ii) if in excess of 75 million tonne JORC reserve of coal is delineated on the Licence Area – a cash payment equal to US$1.00 per tonne of coal will be payable, US$0.75 in cash (within 60 days of receiving the JORC certification) and US$0.25 as production royalty;

Purpose of the Proposed Transaction

3.11. The Directors of Epic consider that the Proposed Transaction will create value for shareholders and assist the Company in the next phase of its growth. The Directors believe that the Colombian Permits present an investment opportunity which provides the Company significant potential upside due to the explorative nature of the assets to be acquired, and the location of the permit zones within close proximity to existing infrastructure.

For personal use only

4. Purpose of this Report

Corporations Act

4.1. Section 606(1) of the Corporations Act ("the Act") provides that, subject to limited specified exemptions, a person must not acquire a "relevant interest" in issued voting shares in a public company, if as a result of the acquisition any person's voting power in the company would increase from 20% or below to more than 20%. In broad terms, a person has a "relevant interest" in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) holds, compared with the total number of voting shares in the company.

4.2. Completion of the Proposed Transaction may, contingent on the number of milestones achieved, result in Ascot having a relevant interest of above 20%. Therefore, the Company will be in breach of Section 606(1) of the Act in the absence of an applicable exception.

4.3. Section 611, Item 7 of the Corporations Act provides an exemption to the rule noted in paragraph 4.1 above. Section 611, Item 7 allows a party (and its affiliates) to acquire a relevant interest in shares that would otherwise be prohibited under Section 606(1) of the Act if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the Company; and:

i) no votes are cast in favour of the resolution by the proposed acquirers or respective associates; and

ii) there was full disclosure of all information that was known to the persons proposed to make the acquisition or their associates or known to the Company that was material to a decision on how to vote on the resolution.

4.4. Section 611 states that shareholders must be given all information that is material to the decision on how to vote at the meeting. RG 111 advises the commissioning of an Independent Expert's Report in such circumstances and provides guidance on the content.

Basis of Evaluation

4.5. In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by ASIC in RG 111.

4.6. 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.

4.7. RG 111 states that the expert 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.

For personal use only

Approval required under Section 611, item 7

4.8. Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.

4.9. RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:

- a takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- a takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.

4.10. Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders, the analysis undertaken is as follows:

- a comparison of the fair value of an ordinary share in Epic prior to and immediately following the Proposed Transaction, being the 'consideration' for Non-Associated Shareholders - fairness; and
- a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction - reasonableness.

4.11. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that the Proposed Transaction proceeds or does not proceed including:

- 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.

5. Profile of Epic

5.1. Epic was incorporated on 24 September 2010, and listed on the ASX through an IPO on 9 February 2011.

5.2. Epic is an Australian based exploration company that was initially established to acquire, explore, evaluate and exploit uranium-Rare Earth Elements ("REE") deposits and explore prospective uranium tenements and other minerals. Additionally, Epic intends to pursue new projects in the resources sector, both in Australia and overseas for a wide range of minerals, including, without limitation, coal, iron ore, copper, gold, manganese, tin, nickel, potash and tungsten.

5.3. Prior to listing on the ASX, the Company entered into a farm-in agreement with Cazaly Iron Ore Pty Ltd under which the Company acquired a right to earn a 75% interest in the Quartz Hill Project by completing 2,000 metres of RC drilling within 2 years of the Company listing on the ASX.

5.4. The Quartz Hill Project related to two uranium-REE exploration tenements which lie 150km east-NE of Alice Springs within the Eastern Arunta block in the Harts Ranges. The tenements have received limited historical exploration and are prospective for both unranium and rare earth mineralisation.

5.5. At the date of this report, Epic has yet to complete the required work that will entitle it to a 75% interest in the Quartz Hill Project. The 30 June 2012 financial statements disclosed that the Company has budgeted an amount of $200,000 to complete this drilling expenditure.

5.6. On 14 November 2011, Epic applied for a further three exploration licence applications adjacent to the Quartz Hill Project in the Northern Territory. These exploration licences were granted on 20 July 2012.

5.7. On 9 February 2011, Epic announced that it has entered into a conditional agreement to acquire a number of Indonesian Coal Exploration Licences based in East Kalimantan. This agreement was subsequently terminated on 29 May 2012 due to the failure of the vendors of the licences to meet the conditions precedent of the agreement, to the satisfaction of the Epic board of directors.

5.8. On 7 June 2012, Epic acquired the McPhees Gold Project located in Western Australia for cash consideration of $15,000 and the issue of 200,000 ordinary shares in Epic.

5.9. The McPhees Gold Project related to two exploration licences located in the East Pilbara Greenstone Terrane, within the Pilgangoora Greenstone belt of the Pilbara Craton, approximately 80 kilometres south of Port Hedland, Western Australia.

For personal use only

For personal use only

Financial Performance

5.10. The table below sets out the financial performance of Epic for the period 24 September 2010 to 30 June 2011 and the year ended 30 June 2012.

	Ref.	Year ended 30-Jun-12 *Audited* $	24-Sep-10 to 30-June-11 *Audited* $
Revenue	5.12	**180,668**	**81,392**
Director fees and other benefits		(119,600)	(45,000)
Share-based payments		(41,610)	(313,513)
Administration expense		(284,220)	(83,840)
Impairment of exploration and evaluation expenditure	5.13	(96,570)	-
Loss before tax		**(361,332)**	**(362,769)**
Tax		-	-
Loss attributable to members of Epic		**(361,332)**	**(362,769)**
Other comprehensive income for the period		**-**	**-**
Total comprehensive loss for the period attributable to members of Epic	5.11	**(361,332)**	**(362,769)**

Source: Epic audited financial statements for the year ended 30 June 2012 (inclusive of comparatives)

Table 3: Financial Performance for the three years ended 30 June 2011 and the half-year ended 31 December 2011

5.11. For the year ended 30 June 2012, the Company disclosed a loss after tax of $361,000. For the period ended 30 June 2011, the Company disclosed a loss after tax of $363,000.

5.12. The Company generated interest on cash deposits for the period ended 30 June 2011 and the year ended 30 June 2012 but has not generated other revenue since incorporation.

5.13. The impairment of exploration and evaluation expense of $97,000 recognised in the year ended 30 June 2012, related to the write off of expenses incurred by the Company in relation to the acquisition of Indonesian Coal Licences. The acquisition agreement was terminated prior to completion, due to the conditions precedent for the acquisitions not being met to the satisfaction of Epic's board of directors.

For personal use only

Financial Position

5.14. The table below sets out the financial position of Epic as at 30 June 2012 and 30 June 2011.

	Ref.	As at 30-Jun-12 *Audited* $	As at 30-Jun-11 *Audited* $
Current Assets			
Cash and cash equivalents	5.15	3,461,140	3,818,989
Trade and other receivables		12,281	56,782
Other assets		6,665	-
Total Current Assets		3,480,086	3,875,771
Non-Current Assets			
Plant & equipment		3,218	-
Exploration & evaluation expenditure		354,870	268,824
		358,088	268,824
Total Assets		**3,838,174**	**4,144,595**
Current Liabilities			
Trade and other payables		12,432	19,131
Total Current Liabilities		12,432	19,131
Total Liabilities		**12,432**	**19,131**
NET (LIABILITIES)/ASSETS	5.15	**3,825,742**	**4,125,464**
EQUITY			
Issued capital		4,192,912	4,172,912
Share based payments reserve		355,123	313,513
Accumulated losses		(722,293)	(360,961)
TOTAL EQUITY	5.15	**3,825,742**	**4,125,464**

Source: Epic audited financial statements for the years ended 30 June 2012

Table 4: Financial Position of Epic as at 30 June 2011 and 30 June 2010

5.15. Epic disclosed net assets of $3,825,742 as at 30 June 2012 as compared to net assets of $4,125,464 as at 30 June 2011. Net assets at 30 June 2012, primarily comprised of cash and cash equivalents of $3,461,140 (2011 $3,818,989).

For personal use only

Capital Structure

5.16. The capital structure of Epic as at the date of this Report is set out below:

	Number
Total ordinary shares on issue	29,825,000
Total unlisted share options on issue	3,500,000

Table 5: Capital Structure as at 31 August 2012

5.17. The unlisted share options expire on 31 January 2014 and are exercisable at 20 cents.

5.18. The top 20 shareholders as at 14 August 2012 is summarised in the table below.

Shareholder	Number of Shares	%
ROMFAL SIFAT PL	1,375,000	4.6%
BANKS-SMITH KATRINA F	1,248,225	4.2%
PHEAKES PL	1,143,875	3.8%
BUZZ CAP PL	1,065,000	3.6%
MATTHEE ARIF ELBERT + H	1,050,000	3.5%
BOND STREET CUSTS LTD	1,000,000	3.4%
CONFADENT LTD	900,000	3.0%
AH SUPER PL	750,000	2.5%
BOND STREET CUSTS LTD	650,000	2.2%
CAZALY RES LTD	625,000	2.1%
WISEPLAN INV PL	570,000	1.9%
WILGUS INV PL	557,500	1.9%
TREMAIN SASHA	387,500	1.3%
JEWSON ROBERT ANDREW	385,000	1.3%
DESOUZA FRANCIS	350,000	1.2%
UNAC WEST END GRP PL	350,000	1.2%
ALEXANDER HLDGS WA PL	350,000	1.2%
VIAVAN PL	309,000	1.0%
NANNOOK HLDGS PL	300,000	1.0%
DONNELLY ANDREW PAUL	270,250	0.9%
	13,636,350	**45.7%**
Other shareholders	16,188,650	54.3%
Total	**29,825,000**	**100.0%**

Table 6: Top 20 shareholders as at 14 August 2012

For personal use only

Share price performance

5.19. Epic's daily closing share price and volumes traded are shown in the graph below for the period 9 February 2011 (the date Epic listed on the ASX) to 10 October 2012.

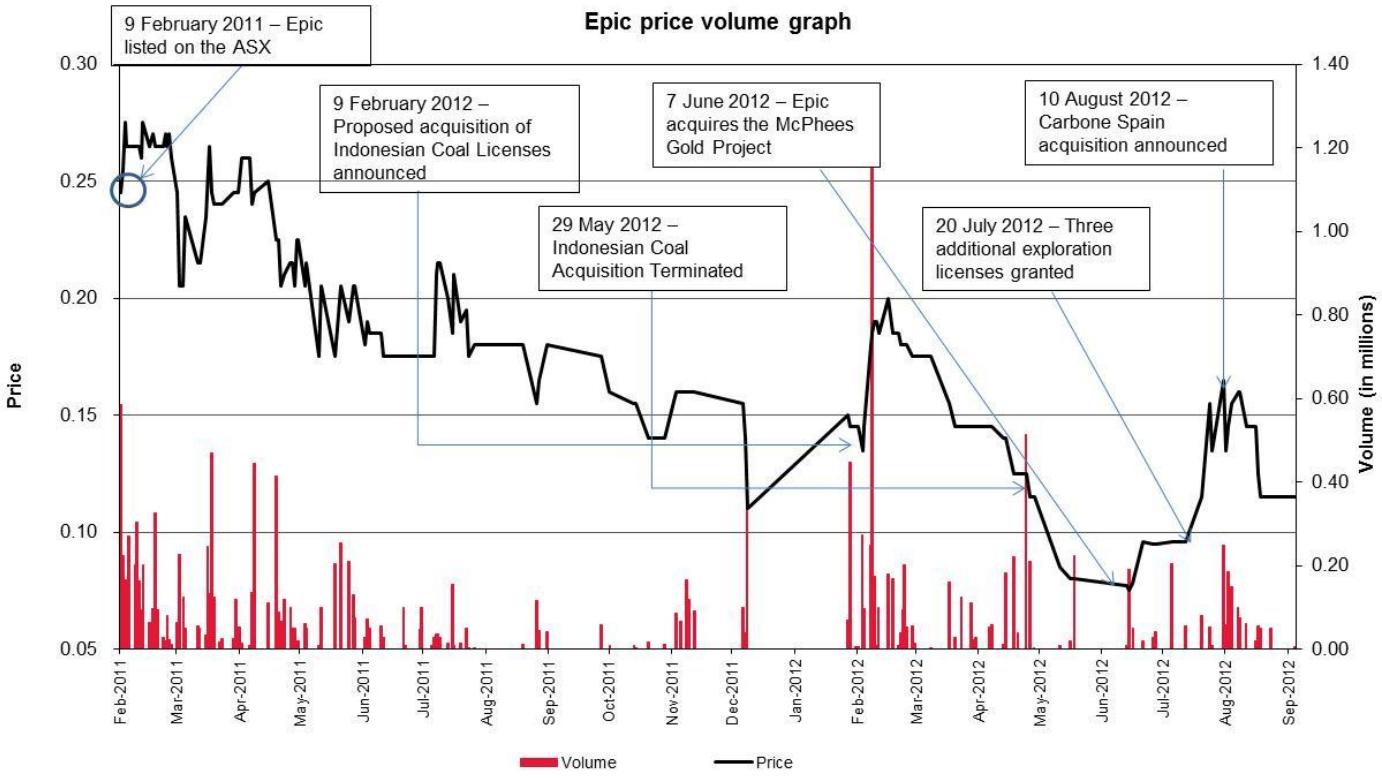


Figure 2: Daily Closing Share Price and Traded Volumes (Source: Capital IQ)

5.20. Epic's shares traded between $0.20 and $0.27 immediately following the initial listing in February 2011. Epic's share price then decreased to $0.11 during the period to December 2011.

5.21. On 9 February 2012, Epic's announced it has signed a conditional agreement to purchase a number of Indonesian Coal exploration assets. Following this announcement, the Epic share price rose to $0.20 and then steadily declined to $0.08 on 29 May 2011 at which date Epic announced that it had terminated the Indonesian Coal asset acquisition.

5.22. On 20 July 2012, Epic announced that it been granted three additional exploration assets close to the Quartz Hill Project. Immediately following this announcement, the Epic share price rose from $0.09 to $0.15.

5.23. On 10 August 2012, Epic announced the Proposed Transaction, with its share price trading at $0.15. Subsequent to the announcement, Epic's share price has ranged between $0.11 and $0.16.

5.24. Further information on the price and volume at which the Company's shares have traded is set out in section 8 of this Report

6. Profile of Carbones Spain

Overview

6.1. In this section of our Report, we provide an overview of the entities and mineral exploration assets Epic will be acquiring as part of the Proposed Transaction. Further detail about the entities and mineral exploration assets is set out in the Notice of Meeting and Explanatory Statement.

Carbones Spain

Overview

6.2. Carbones Spain is a company registered in Spain. The Company's only significant asset its share holding in Carbones Titiribi.

6.3. Carbones Spain owns 90% of the issued equity of Carbones Titiribi, with the remaining 10% being owned by a local joint venture partner, Carbones el Balsal.

Carbones Titiribi

6.4. Carbones Titiribi is a company registered in Colombia. The Company's only significant asset is its ownership of Coal exploration licences in relation to the Titiribi Project in Colombia.

Overview of the Titiribi Project

6.5. The Titiribi Project is located in the Southern Antioquia region of Colombia, approximately 70 kilometres from the city of Medellin and is in close proximity to areas known to host high quality coal.

6.6. The licences are covered under Coal exploration licences HJBN-04 (52 Ha), HJID-06 (11 Ha) and HJLI091 (147 Ha). The licences were granted on 30 January 2009, 4 May 2009 and 2 July 2009, respectively and each have an expiry date 30 years after grant date, with the licence bearing a time commitment to complete exploration within 3 years of grant date and complete mine building within 6 years of grant date.

Financial position

6.7. Both entities were formed at the beginning of the 2012 calendar year and have not, to date, prepared any financial statements. The only assets held by the companies are the Coal exploration licences for the Titiribi Project.

For personal use only

For personal use only

7. Valuation Methodologies

7.1. In assessing the Fair Value of an ordinary Epic share prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market Based Methods

7.3. Market based methods estimate the Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- The quoted price for listed securities; and
- Industry specific methods.

7.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

7.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

7.6. Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

7.7. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

7.8. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital

For personal use only

and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

7.9. Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

7.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

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

7.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Valuation of Epic

7.13. Epic does not currently generate trading revenues and its principal assets are cash and receivables. We consider that the most appropriate valuation methodology for valuing companies of this nature is on the basis of the fair value of their underlying assets. Our valuation has been based on the audited net assets of Epic at 30 June 2012 adjusted for disclosed subsequent events.

7.14. 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 the Epic's Quartz Hill Project licences and the McPhees Gold Project. We have, therefore, engaged Salva Resources Pty Limited ("Salva") to prepare an independent technical report providing a value of the Quartz Hill Project licences and the McPhees Gold Project licences.

7.15. 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 Epic and have placed reliance on their report. A copy of Salva's report is attached at Appendix 5.

For personal use only

7.16. We have also considered the implied value of an Epic share based on recent trading prices for portfolio shareholding parcels of Epic shares on the ASX. In accordance with RG 111, we have assessed the value of Epic's shares on a 100% controlling interest. However, as set out in paragraph 8.15, we have not utilised the quoted price of Epic's shares as we consider that the trading market of Epic's shares is not deep enough to provide a fair value.

Valuation of Epic immediately following the Proposed Transaction

7.17. In order to assess the value of an Epic share immediately following the Proposed Transaction, it is necessary to assess the fair value of the assets being purchased by Epic being, through 100% ownership of Carbones Spain, a 90% interest in Carbones Titiribi – owner of the Titiribi Project.

7.18. In assessing the fair value of the assets being acquired we have aggregated the value of exploration assets being acquired.

Valuation of Merged Group

7.19. To assess the Fairness of the Proposed Transaction, we have estimated the theoretical underlying value of Epic and a share in Epic post the Proposed Transaction ("the Merged Group"). The value of the Merged Group is based on the combined values of Epic and Carbones Spain.

7.20. Due to the contingent nature of much of the consideration comprising the Proposed Transaction, our assessed value of an Epic share after the Proposed Transaction has been addressed under four different scenarios as set out below:

- **Scenario 1** - Valuation of an Epic share based on the current value of Carbones Spain after payment of the initial consideration;
- **Scenario 2** - Valuation of an Epic share based on Milestone 1 of the purchase agreement having been achieved taking into account;
  - the change in the market value of the Titiribi assets should the milestone be achieved;
  - the expenditure assessed as necessary to achieve the milestone; and
  - the dilutionary impact of the additional equity consideration payable once the milestone is achieved.
- **Scenario 3** - Valuation of an Epic share based on Milestones 1 and 2 of the purchase agreement having been achieved taking into account;
  - the change in the market value of the Titiribi assets should the milestones be achieved;
  - the expenditure assessed as necessary to achieve the milestones; and
  - the dilutionary impact of the additional equity consideration payable once the milestones are achieved.

- **Scenario 4** - Valuation of an Epic share based on Milestones 1, 2 and 4 of the purchase agreement having been achieved taking into account;
    - the change in the market value of the Titiribi assets should the milestones be achieved;
    - the expenditure assessed as necessary to achieve the milestones; and
    - the dilutionary impact of the additional equity consideration payable once the milestones are achieved.

7.21. In assessing each of scenarios above, we have also considered whether the valuation of Epic after the Proposed Transaction results in Milestone 3 (Epic's 20 day VWAP exceeding $0.35 per share) being achieved. Where we have assessed a valuation in excess of $0.35 per share, ignoring the impact of Milestone 3, we have assumed that Milestone 3 will also be achieved as Epic will be required to issue Ascot with 12,000,000 Epic shares.

7.22. Whilst Milestones 1, 2 and 4 may each be achieved without the preceding milestones having been achieved (for example, Milestone 2 may be achieved in the period between 12 and 18 months after settlement, without Milestone 1 being achieved), we have only considered scenarios which assumes that preceding milestones have been met, on the basis that this represents the greatest possible dilution of Non-Associated Shareholder interests.

7.23. In addition to the issue of the above shares, subject to the achievement of the Milestones set out above, the Merged Group will also be liable for the contingent cash payments due to the 10% minority shareholder in Carbones Titiribi as discussed in paragraph 3.10. These payments are all dependant on the Merged Group either delineating a JORC reserve within the Licence areas, or commencing production of coal.

7.24. Due to the inherent uncertainties regarding whether a JORC reserve or production of coal will be achieved, the timeframe that it will take to achieve these milestones, the economic conditions that may exist should these milestones be achieved and the costs that will be incurred in reaching these milestones, it has been concluded that the value of the Merged Group assuming these conditions are achieved cannot be reliably measured. Consequently, the contingent cash payments due to the 10% minority shareholder in Carbones Titiribi as discussed in paragraph 3.10 have not been taken into account in this Report.

For personal use only

For personal use only

8. Valuation of Epic (pre Proposed Transaction)

8.1. As set out in paragraphs 7.13 and 7.16, we have considered the fair value of Epic's underlying assets, and the recent quoted price of Epic's listed securities to assess the value of Epic prior to the Proposed Transaction.

Quoted Price of Listed Securities

8.2. We have considered the quoted market price in our assessment of the fair value of an Epic share prior to the Proposed Transaction.

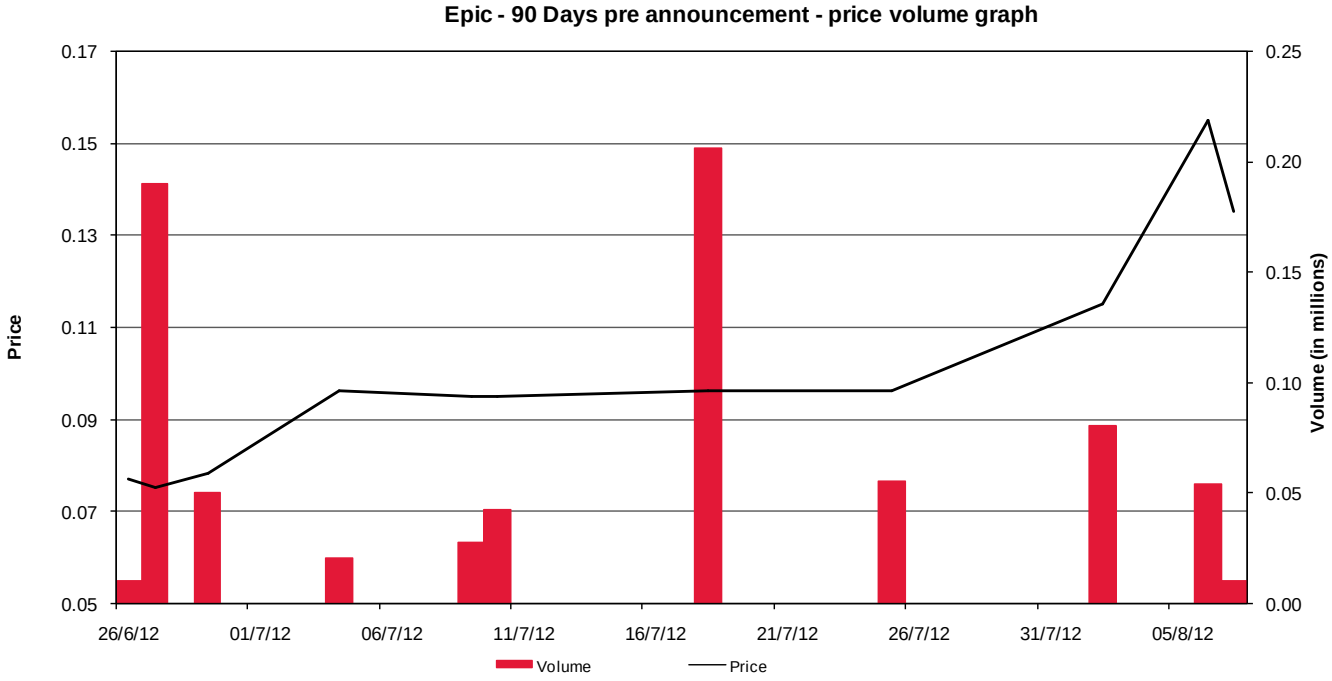


Figure 3: Daily Closing Share Price and Traded Volumes Pre Announcement (Source: Capital IQ)

8.3. The assessment only reflects trading prior to the announcement of the proposed acquisition of Carbones Spain made on 10 August 2012, in order to avoid the influence of any movement in price that may have occurred as a result of the announcement.

8.4. The graph at Figure 2 shows the daily closing price and traded volumes of Epic over the 90 trading day period ended 10 August 2012, being the date the Company announced the Proposed Transaction.

8.5. Over this period, Epic shares have traded in a range from a low of $0.07 on 27 June 2012 to a high of $0.15 on 6 August 2012.

For personal use only

8.6. To provide further analysis of the market prices for Epic's shares, we have considered the Volume Weighted Average Price for the 5 day, 10 day, 30 day and 60 trading day periods to 10 August 2012.

	10-Aug-12	5 Days	10 Days	30 Days	60 Days
Closing price	$0.13	-	-	-	-
VWAP	-	$0.13	$0.12	$0.10	$0.09

Table 7: Volume Weighted Average Price of an Epic share

8.7. An analysis of the volume in trading in Epic's shares for the 60 day trading period to 10 August 2012 is set out in the table below.

	High $	Low $	Cumulative Volume	VWAP $	Volume traded as % of total shares
1 trading day	0.13	0.13	53,800	0.13	0.18%
5 trading days	0.15	0.11	133,800	0.13	0.45%
10 trading days	0.15	0.09	188,800	0.12	0.63%
30 trading days	0.15	0.07	436,900	0.10	1.46%
60 trading days	0.15	0.07	959,500	0.09	3.22%

Table 8: Traded Volumes of Epic shares to 10 August 2012

8.8. The table shows that only 3.22% of Epic's shares were traded in the 60 days pre 10 August 2012, indicating that there is a low level of liquidity in Epic's shares.

8.9. Our assessment of a fair value of an Epic share based on the quoted market price, and therefore on the basis of a minority interest, is between $0.10 and $0.13.

8.10. The value above is indicative of the value of a marketable parcel of shares assuming the shareholder does not have control of Epic. In the case of a section 611 acquisition, RG 111 states that the independent expert should calculate the value of a target's shares as if 100% control were being obtained. Therefore, in our assessment of the fair value of an Epic share, we should include a premium for control.

For personal use only

8.11. RSM Bird Cameron has undertaken a survey of control premiums paid over a 5-year period to 30 June 2010 in 212 successful takeovers and schemes of arrangements of companies listed on the ASX ("RSM Bird Cameron Control Premium Study 2010"). The findings are summarised in the table below, showing the average control premium 20 days, 10 days and 2 days prior to announcement.

	Number of Transactions	20 Days Pre	10 Days Pre	2 Days Pre
Average control premium - All Industries	212	30.7%	25.6%	21.9%

Table 9: Average Control Premium over five years to 30 June 2010
(Source: RSM Bird Cameron Control Premium Study 2010)

8.12. However, we note that as at 10 August 2012, Epic's net assets primarily consisted of cash holdings of circa $3.4 million. Consequently, we consider that a lower premium for control should be applied in the valuation of Epic.

8.13. We have therefore selected a control premium of 5% to 10% and applied it to our assessed value of an Epic share on a minority interest basis as follows.

	Low $	High $
Quoted market price value	0.10	0.13
Control premium	10%	5%
Quoted market price valuation including a premium for control	0.110	0.137

Table 10: Assessed Value of an Epic Share

8.14. Our valuation of an Epic share on the basis of the quoted market price including a premium for control is between $0.110 and $0.137.

8.15. However, as set out in paragraph 8.8, Epic's shares were not traded in significant volumes or on a regular basis in the 60 trading day period prior to 10 August 2012. Further as set out in Figure 2, Epic's shares have not historically traded in significant volumes since February 2011. Therefore, we have not relied upon Epic's quoted share price in our assessment of the fair value of an Epic share prior to the Proposed Transaction.

For personal use only

Net Assets on a Going Concern Basis

8.16. Our assessment of the fair value of Epic's net assets as shown in the table below, is based on the audited net assets of Epic at 30 June 2012 as per the Company's audited financial statements filed with the ASX, adjusted for known events since that date and other fair value adjustments which we have identified through discussions with the Directors and from a review of the assets and liabilities of the Company as set out in these financial statements.

	As at 30-Jun-12 *Audited* $	Fair value Adjustment Low $	Fair value Adjustment High $	Assesed Fair value Low $	Assesed Fair value High $
Current Assets					
Cash and cash equivalents	3,461,140	-	-	3,461,140	3,461,140
Trade and other receivables	12,281	-	-	12,281	12,281
Other assets	6,665	-	-	6,665	6,665
	3,480,086	-	-	3,480,086	3,480,086
Non-Current Assets					
Plant & equipment	3,218	-	-	3,218	3,218
Exploration & evaluation expenditure	354,870	(39,870)	330,130	315,000	685,000
Total Assets	**3,838,174**	**(39,870)**	**330,130**	**3,798,304**	**4,168,304**
Current Liabilities					
Trade and other payables	12,432	-	-	12,432	12,432
Total Liabilities	**12,432**	**-**	**-**	**12,432**	**12,432**
NET ASSETS	**3,825,742**	**(39,870)**	**330,130**	**3,785,872**	**4,155,872**
Number of shares on issue (Pre Consolidation)	*29,825,000*	-	-	*29,825,000*	*29,825,000*
Value per share $ (Pre Consolidation)	***0.1283***			***0.1269***	***0.1393***

Table 11: Assessed Value of Epic on a net assets on a going concern basis

8.17. We summarise the adjustments we have made to the net assets of Epic as at 30 June 2012 in the following paragraphs.

8.18. Salva has undertaken an independent valuation of Epic's exploration licences and determined that the market value of these assets are as set out in the table below.

	Low $'000	High $'000
Quartz Hill Project licences	230	515
McPhees Gold Project licences	85	170
Total	315	685

Table 12: Assessed Value of Epic on a net assets on a going concern basis

8.19. Salva's valuation is based on a market based comparable transaction approach and an on appraised value approach. A copy of Salva's valuation report is set out in Appendix 5 of this report.

8.20. We have assessed that the 4,500,000 unlisted options on issue, with an exercise price of 20 cents to be non-dilutionary as the exercise price is above our assessed value of an Epic share. We have therefore not adjusted for these options in our assessment of the value of an Epic share.

8.21. As a result of the Proposed Transaction, Epic Shareholders may cede control of Epic, therefore we have considered whether there is a requirement to apply a control premium to our valuation set out above. The net assets methodology assumes 100% ownership, therefore it already reflects the value of control and, as such, no adjustment is required to this value.

Valuation Summary

8.22. A summary of our assessed values of an Epic share prior to the Proposed Transaction is shown below, together with the comparison of the quoted share price assessment.

	Low $	High $
Net assets on a going concern methodology		
Value of an Epic Share	0.127	0.139
Quoted market price value		
Value of an Epic Share	0.110	0.137
Preferred Valuation	**0.127**	**0.139**

Table 13: Epic Valuation Summary prior to the Proposed Transaction

8.23. We have assessed the fair value of an Epic share on a controlling basis prior to the Proposed Transaction to be $0.127 to $0.139.

For personal use only

9. Valuation of Carbones Spain and the Titiribi Project

9.1. We have assessed the value of Carbones Spain on a net assets on a going concern basis. The only significant asset of Carbones Spain, is its 90% interest in the Titiribi Project coal exploration licences.

9.2. For the purposes of this Report, to assess the value of the mineral exploration assets being acquired as part of the Proposed Transaction, RSM Bird Cameron has engaged Salva to value, in accordance with the VALMIN Code, the Titiribi Project. A full copy of the valuation report prepared by Salva is included at Appendix 5.

9.3. The valuation methodologies adopted by Salva to value the Titiribi Project were the market based comparable transaction approach and the appraised value approach.

9.4. Due to the contingent nature of much of the consideration comprising the Proposed Transaction, our assessed value of an Epic share after the Proposed Transaction has been addressed under four different scenarios as set out in paragraph 7.20.

9.5. RSM Bird Cameron has therefore also engaged Salva to value, in accordance with the VALMIN Code, the Titiribi Project assuming the following inferred or indicated coal resources have been defined in accordance with JORC guidelines of coal:

- an Inferred Resource of 10Mt;
- an Inferred Resource of 20Mt; and
- a Measured Resource of 20Mt.

9.6. The valuations assume that the defined resources have meet the minimum specifications of:

- >5,500kcal/kg,
- <15% Ash and
- <1% Sulphur

9.7. Our assessment of the market value of Carbones Spain under each of the above scenarios, also takes into account expenditure assessed as necessary to achieve the milestone.

9.8. Epic management has provided details of their exploration plans and have assessed the expenditure required to achieve each milestone as:

- Milestone 1 – define an Inferred Resource of 10Mt - $1,125,000;
- Milestone 3 – define an Inferred Resource of 20Mt - $1,125,000; and
- Milestone 4 – define an Measured Resource of 20Mt -$1,950,000.

For personal use only

For personal use only

Valuation of the Titiribi Project Coal Exploration Licences

9.9. Based on Salva's valuations, and the assessed expenditure required to achieve each milestone, the table below sets out our assessed valuation of Carbones Spain under each scenario.

	Low $'000	High $'000
Scenario 1 valuation	1,350	2,250
Scenario 2 valuation	2,970	6,120
Scenario 3 valuation	5,940	12,240
Scenario 4 valuation	9,000	18,000

Table 14: Valuation of shares in Carbones Spain

For personal use only

10. Valuation of the Merged Group (non control basis)

10.1. To assess the Fairness of the Proposed Transaction, we have estimated the theoretical underlying value of an Epic share prior to the Proposed Transaction and a share in the Merged Group.

10.2. The assessed value of the Merged Group has been calculated as the sum of parts of the value of Epic pre the Proposed Transaction and the value Epic and Carbones Spain after the Proposed Transaction, and after reflecting the impact of the share consolidation which is part of the Proposed Transaction. The table below sets out our assessment of the value of the Merged Group under each of the scenarios considered as part of the Proposed Transaction.

Merged Group	Assessed value Low $	High $
Scenario 1		
Valuation of Epic pre transaction	3,785,872	3,930,872
Add: Valuation of Carbones Spain	1,350,000	2,250,000
Less: Cash consideration paid	(500,000)	(500,000)
	4,635,872	5,680,872
Scenario 2		
Valuation of Epic pre transaction	3,785,872	3,930,872
Add: Valuation of Carbones Spain	2,970,000	6,120,000
Less: Cash consideration paid	(500,000)	(500,000)
Less: Exploration and development expenditure assessed as required to achieve Milestone 1	(1,125,000)	(1,125,000)
	5,130,872	8,425,872
Scenario 3		
Valuation of Epic pre transaction	3,785,872	3,930,872
Add: Valuation of Carbones Spain	5,940,000	12,240,000
Less: Cash consideration paid	(500,000)	(500,000)
Less: Exploration and development expenditure assessed as required to achieve Milestone 2	(1,125,000)	(1,125,000)
	8,100,872	14,545,872
Scenario 4		
Valuation of Epic pre transaction	3,785,872	3,930,872
Add: Valuation of Carbones Spain	9,000,000	18,000,000
Less: Cash consideration paid	(500,000)	(500,000)
Less: Exploration and development expenditure assessed as required to achieve Milestone 4	(1,950,000)	(1,950,000)
	10,335,872	19,480,872

Table 15: Assessed value of the Merged Group

For personal use only

Minority discount

10.3. As the Proposed Transaction is considered a control transaction in accordance with RG 111, we have compared our assessment of an Epic Share on a control basis prior to the Proposed Transactions with our assessment of a share in the Merged Group on a minority basis following the implementation of the Proposed Transaction.

10.4. In our assessment of the minority discount, we have considered the following:

- If the Proposed Transaction is implemented, Ascot will increase its shareholding in the Company from 0.0% to:
  - 13.1%in Scenario 1;
  - 34.2% in Scenario 2;
  - 47.5% in Scenario 3; and
  - 68.8% in Scenario 4.
- A significant proportion of the Merged Group consists of cash balances. As a percentage of net assets, cash balances make up 56%, 26%, 16% and 9% for Scenarios 1 to 4, respectively. Generally, lower control premiums (and conversely minority discounts) apply to entities which hold a significant percentage of net assets as cash.

10.5. Based on the discussions set out above we have applied a minority discount as follows in our assessed value of the Merged Group immediately after the Proposed Transactions:

- Scenarios 1 and 2 – 10%;
- Scenario 3 – 15%; and
- Scenario 4 – 20%.

10.6. The tables below summarises the value of a share in the Merged Group immediately following the Proposed Transaction under each of the scenarios considered as part of the Proposed Transaction.

Merged Group	Assessed value Low	High
Scenario 1		
Valuation of Merged Group post Proposed Transaction	$4,635,872	$5,680,872
Number of shares on issue pre Proposed Transaction	29,825,000	29,825,000
Shares issued as consideration	4,500,000	4,500,000
Number of shares on issue post Proposed Transaction	34,325,000	34,325,000
Value of an Epic Share post Proposed Transaction (Control basis)	$0.135	$0.166
Less: Minority discount	10.0%	10.0%
Value of an Epic Share post Proposed Transaction (Minority basis)	$0.122	$0.149

Table 16: Assessed value of a share in the Merged Group post the Proposed Transaction – Scenario 1

For personal use only

Merged Group	Assessed value Low	High
Scenario 2		
Valuation of Merged Group post Proposed Transaction	$5,130,872	$8,425,872
Number of shares on issue pre Proposed Transaction	29,825,000	29,825,000
Shares issued as consideration	15,500,000	15,500,000
Number of shares on issue post Proposed Transaction	45,325,000	45,325,000
Value of an Epic Share post Proposed Transaction (Control basis)	$0.113	$0.186
Less: Minority discount	10.0%	10.0%
Value of an Epic Share post Proposed Transaction (Minority basis)	$0.102	$0.167

Table 17: Assessed value of a share in the Merged Group post the Proposed Transaction – Scenario 2

Merged Group	Assessed value Low	High
Scenario 3		
Valuation of Merged Group post Proposed Transaction	$8,100,872	$14,545,872
Number of shares on issue pre Proposed Transaction	29,825,000	29,825,000
Shares issued as consideration	27,000,000	27,000,000
Number of shares on issue post Proposed Transaction	56,825,000	56,825,000
Undiluted Value of an Epic Share post Proposed Transaction (Control Basis)	$0.143	$0.256
Less: Minority discount	15.0%	15.0%
Undiluted Value of an Epic Share post Proposed Transaction (Minority basis)	$0.121	$0.218
Adjustment for exercise of options		
Valuation of Merged Group Proposed Transaction	$8,100,872	$14,545,872
Add: Cash consideration from exercise of options	-	$900,000
	$8,100,872	$15,445,872
Number of shares on issue post Proposed Transaction	56,825,000	56,825,000
Shares issued on exercise of options	-	4,500,000
	56,825,000	61,325,000
Value of an Epic Share post Proposed Transaction (Control basis)	$0.143	$0.252
Less: Minority discount	15.0%	15.0%
Value of an Epic Share post Proposed Transaction (Minority basis)	$0.121	$0.214

Table 18: Assessed value of a share in the Merged Group post the Proposed Transaction – Scenario 3

Merged Group	Assessed value Low	High
Scenario 4		
Valuation of Merged Group post Proposed Transaction	$10,335,872	$19,480,872
Number of shares on issue pre Proposed Transaction	29,825,000	29,825,000
Shares issued as consideration	65,760,000	65,760,000
Number of shares on issue post Proposed Transaction	95,585,000	95,585,000
Value of an Epic Share post Proposed Transaction (Control basis)	$0.108	$0.204
Less: Minority discount	20.0%	20.0%
Value of an Epic Share post Proposed Transaction (Minority basis)	$0.087	$0.163

Table 19: Assessed value of a share in the Merged Group post the Proposed Transaction – Scenario 4

10.7. Other than in our assessed high value of the Merged Group for scenario 3, we have assessed that the 4,500,000 unlisted options on issue, with an exercise price of 20 cents to be non-dilutionary as the exercise price is above our assessed value of an Epic share. We have therefore not adjusted for these options in our assessment of the value of the Merged Group in any other scenario valuations.

For personal use only

For personal use only

11. Is the Proposed Transaction Fair

11.1. The table below sets out our assessed values of an Epic share prior to and immediately after the Proposed Transaction, under each of the scenarios considered as part of the Proposed Transaction.

		Valuation Low $	Valuation High $
Value per share prior to the Proposed Transaction (Control Basis)		$0.127	$0.139
Scenario 1 (Minority Basis)	Issue of 4,500,000 ordinary shares and payment of $500,000 cash No milestones are met	$0.122	$0.149
Scenario 2 (Minority Basis)	Issue of 15,500,000 ordinary shares and payment of $500,000 cash Milestone 1 is met	$0.102	$0.167
Scenario 3 (Minority Basis)	Issue of 27,000,000 ordinary shares and payment of $500,000 cash Milestones 1 and 2 are met	$0.121	$0.214
Scenario 4 (Minority Basis)	Issue of 65,700,000 ordinary shares and payment of $500,000 cash Milestones 1, 2 and 4 are met	$0.087	$0.163

Table 20: Valuation Summary pre and post the Proposed Transaction

11.2. The high end of our assessment of the values of a share in Epic, assuming the Proposed Transaction is approved, on a minority basis, fall within or are above, our assessed value of a share in Epic prior to the announcement of the Proposed Transaction, on a controlling basis, for all of the scenarios considered.

11.3. In accordance with the guidance set out in Australian Securities and Investment Commission Regulatory Guide 111 – Content of Expert Reports ("ASIC RG 111"), and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be **Fair** to the Non-Associated Shareholders of Epic.

11.4. Set out below is a graphic representation of our fairness assessment.

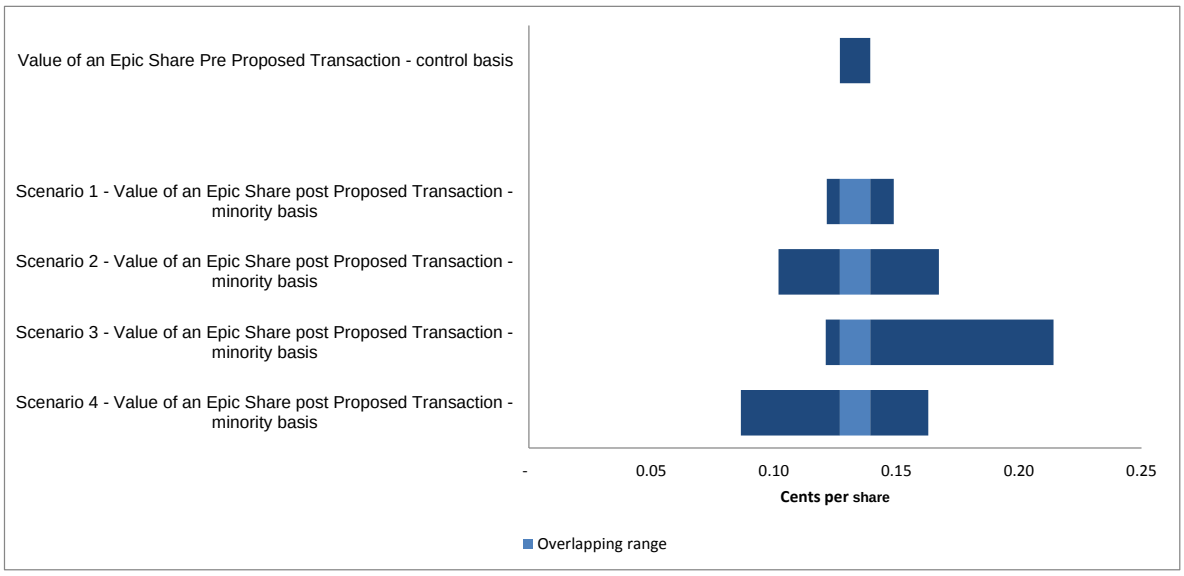


Figure 4: Epic Share Valuation Graphical Representation

11.5. Whilst we have concluded that the Proposed Transaction is fair, we note the low end of our assessed valuation range of a share in Epic on a minority basis immediately after the Proposed Transaction are below our assessed valuation range of Epic prior to the Proposed Transaction on a control basis for all of the scenarios considered.

11.6. We note that the minimum value of the Epic shares post Proposed Transaction on a minority basis required to ensure the Non-Associated Shareholders are not disadvantaged financially by implementing the Proposed Transaction is $0.127.

For personal use only

12. Other Factors taken into Consideration in Forming our Opinion

12.1. As the Proposed Transaction is fair, it is therefore considered to be reasonable in accordance with the guidance provided by the ASIC. However, we have also considered the following:

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

Stated Intentions of Epic

12.2. As detailed in Section 3 of this Report, Epic directors consider that the Proposed Transaction will create value for shareholders and assist the Company in the next phase of its growth. The Directors believe that the Colombian Permits present an investment opportunity which provides the Company significant potential upside due to the explorative nature of the assets to be acquired, and the location of the permit zones within close proximity to existing infrastructure.

Future Prospects of Epic if the Proposed Transaction do not proceed

12.3. If the Proposed Transaction is not successful, Epic will continue to actively seek investment opportunities and continue to develop its existing exploration assets, the Quartz Hill Project and McPhees Gold Project.

12.4. As at 30 June 2012, the Company disclosed a net asset position of circa $3.8 million and cash of circa $3.5 million. Therefore, the Company still has sufficient reserves to enable it to pursue alternative investment opportunities.

Advantages and Disadvantages

12.5. In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceed than if they do not, we have compared various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages

Advantage 1 – Proposed Transactions are Fair

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

Advantage 2 – Opportunity for Diversity and Growth

12.7. The Proposed Transaction represents a opportunity for the Company to diversify its interests to include coal exploration and development in a highly prospective region of the world.

Advantage 3 – Enhanced capital raising profile

12.8. The Proposed Transaction may enhance the Company's ability to raise further capital due to the increased size of the Company.

For personal use only

Advantage 4 – Possible Improvement in Liquidity

12.9. Epic shares have been relatively illiquid since listing in February 2011, as outlined in paragraph 8.8 of this Report. Completion of the Proposed Transaction may create increased interest in Epic shares which could improve liquidity and enable shareholders to sell their shares efficiently.

Disadvantages

Disadvantage 1 – Dilution of Shareholders' Interests

12.10. Immediately after the Proposed Transaction, current shareholders' interest will be diluted from 100.0% to 86.9%. Dependant on the number of milestones achieved, current shareholders' interests could be further diluted from 100.0% to 27.7%.

Disadvantage 2 – Change in nature and scale of the Company's activities

12.11. the Company will be changing the nature and scale of its activities to include coal exploration activities in Colombia, which may not be consistent with the objectives of all Shareholders.

Disadvantage 3 – Change in Risk Profile

12.12. The risk profile of Epic will change should shareholders approve the Proposed Transaction and Epic will become exposed to the risks associated with operating in Colombia.

Disadvantage 4 – Requirement for Future Capital Raisings

12.13. Whilst the currently has cash reserves of circa $3.4 million, it is likely that to enable a full appraisal of the mineral potential of the Titiribi Project, further capital raisings will be required. This may further dilute the interests of the Non-Associated Shareholders if they do not participate in these capital raisings.

Disadvantage 5 – Potential deterrent to a future takeover offer

12.14. Immediately after the Proposed Transaction, Ascot's interest in Epic will be 13.1%. Subject to the number of milestones achieved, Ascot's interest could increase to 72.3%. This could act as a potential deterrent to a future takeover offer of Epic.

For personal use only

For personal use only

Response of the Market to the Announcement of the Proposed Transaction

12.15. The table below sets out the VWAP of the Epic share price and volumes traded after the announcement of the Proposed Transaction on 10 August 2012.

Period post announcement of Proposed Transaction	Closing price	High	Low	Value ($)	Volume	VWAP	Volume traded as % of issued shares
10-Aug-12	0.130	0.130	0.130	1,300	10,000	0.13	0.03%
11-Aug-12 to 10-Oct-12	-	0.160	0.110	152,615	1,059,430	0.14	3.55%

Source: Capital IQ and RSM analysis

Table 21: Epic trading activities (post announcement of the Proposed Transaction)

12.16. Volume of shares traded remained low at 3.55% in the period measured after the announcement of the Proposed Transaction to 10 October 2012. The VWAP of $0.14 to 10 October 2012 is 8% higher than the VWAP of $0.13 measured 1 trading day, and 17% higher than the VWAP of $0.12 measured 10 trading days, before the announcement of the Proposed Transaction, as set out in Table 8.

Alternative Proposals

12.17. We are not aware of any alternative investment opportunities which Epic are pursuing, or would pursue if the Proposed Transaction did not proceed, at this time.

Conclusion on Reasonableness

12.18. In the absence of any other relevant information and/or a superior offer, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider that the Proposed Transaction is **Reasonable** for the Non-Associated Shareholders of Epic.

12.19. 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 GILMOUR
Director

G YATES
Director

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

APPENDIX 1

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 Epic 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 Epic 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.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

For personal use only

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmourl, 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 $16,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Epic 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.

For personal use only

For personal use only

APPENDIX 2

Sources of Information

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

- Drafts and final copies of the Notice of Annual General Meeting for Epic;
- Epic Audited Financial Statements for the period ended 30 June 2011 and year ended 30 June 2012;
- Share Sale Agreement relating to acquisition of shares by Epic in Carbones Spain;
- ASX announcements of Epic;
- IBIS World database;
- World Coal Organisation;
- US Energy Information Administration;
- Capital IQ database; and
- Discussions with Directors of Epic.

For personal use only

APPENDIX 3

Glossary of Terms and Abbreviations

Term	Definition
Act	Corporations Act
Ascot	Ascot Equities Pty Ltd
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Carbones Span	Carbones de Colombia (a company incorporated in Spain)
Carbones Titiribi	Carbones de Titiribi (a company incorporated in Colombia)
Cash flow	Cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context
Company	Epic Limited
Cost of Capital	The expected rate of return that the market requires in order to attract funds to a particular investment
Discount Rate	A rate of return used to convert a future monetary sum into present value
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Epic	Epic Resources Limited
Enterprise Value	Fair market value of a business on a cash free, debt free basis
Equity	The owner's interest in property after deduction of all liabilities
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
FSG	Financial Services Guide
Going concern	An ongoing operating business enterprise

Term	Definition
IPO	Initial Public Offering
McPhees Gold Project	Two exploration licences located within the Pilgangoora Greenstone belt of the Pilbura Craton, Western Australia
Merged Group	The value of the entity comprising the combined values of Epic and Carbones Spain immediately following the Proposed Transaction
Proposed Transactions	The acquisition of 100% of the issued equity of Carbones Spain by Epic
Quartz Hill Project	a number of Uranium exploration licences located in the Arunta Province of the Harts Ranges of the Northern Territory.
RG 111	ASIC Regulatory Guide 111 "Content of expert Reports"
RG 112	ASIC Regulatory Guide 112 "Independence of Experts"
RSM Bird Cameron or RSMBCC	RSM Bird Cameron Corporate Pty Ltd
Salva	Salva Resources Pty Limited
The Licences	Coal exploration licences in the Titiribi region of Colombia, owned by Carbones Titiribi
The Minimum Specifications	Coal that has the following minimum characteristics (on an as received basis) ("the Minimum Specifications"): ▪ >5,500kcal/kg ▪ <15% Ash; and ▪ <1% Sulphur.
The Project Area	The area covered by the Licences and any new licences that are acquired by Carbones Spain
Titiribi Project	Coal exploration licences located near the town of Titiribi, in the Southern Antiquia region of Colombia.

For personal use only

Term	Definition
VALMIN Code	The VALMIN code provides a fundamental set of principles to assist those involved in valuing mineral and petroleum assets in the preparation of independent expert reports. The VALMIN code is binding on members of the Australian Institute of Mining and Metallurgy when preparing independent expert required by the Corporations Act concerning mineral and petroleum assets and securities.
VWAP	Volume weighted average share price
$	Australian Dollars

For personal use only

For personal use only

APPENDIX 4

Overview of the Global Coal Industry

Background[1]

Coal is a combustible, sedimentary, organic rock, which is composed mainly of carbon, hydrogen and oxygen. It is formed from vegetation, which has been consolidated between other rock strata and altered by the combined effects of pressure and heat over millions of years to form coal seams. Coal is a fossil fuel and is far more plentiful than oil or gas, with around 118 years of coal remaining worldwide.

Coal is primarily used in electricity generation and in steel production. Fuel costs are the largest component in electricity generation, making the use of coal advantageous because of its relatively low cost compared with other fuels such as oil and natural gas. As the price of coal has historically been lower than the price of crude oil, coal is generally considered the cheapest fossil fuel on a contained heat basis.

Other advantages of coal include stable supply from a wide range of geographic locations, easy and safe storage, and ease of transportation by rail or ship. These factors have led to a dependence on coal by the electricity-generating industry, especially by regulated utilities in energy importing countries. Moreover, with increasing demand for electricity and increased competition, utilities have generally increased the use of coal-burning power stations, instead of substituting these with more expensive power stations fuelled by oil and natural gas.

Coal Characteristics

Coal is characterized by its use as either “steam coal” or “metallurgical coal”. Steam coal, also referred to as “steaming coal” or “thermal coal,” is used by electricity generators and by industrial facilities to produce steam, electricity or both. Metallurgical coal describes various grades of coal used in the steel making process.

There are four types of coal by geological composition: lignite, sub-bituminous, bituminous and anthracite. Each has characteristics that make it more or less suitable for different uses. Energy content and sulphur content are two of the most important coal characteristics and help to determine the best use of particular types of coal, as well as being used to determine the price of different qualities of coal.

Mining Methods

Coal is mined using surface or underground methods. The most appropriate mining technique for a coal resource is determined by coal seam characteristics such as location and recoverable reserve base. Drill hole data is used initially to define the size, depth and quality of the coal reserve area before committing to a specific extraction method. It is generally easier to mine coal seams that are thick and located close to the surface than deep seams. Typically, coal mining operations will begin at the part of the coal seam that is easiest and most economical to mine. As a seam is mined, it generally becomes more difficult and expensive to mine because the seam may become thinner or may protrude more deeply into the earth, requiring removal of more material over the seam, known as the “overburden.”

In the coal mining industry, the ratio of overburden to mineable coal is referred to as the “strip ratio”. Once the raw coal is mined, it is crushed and often washed in preparation plants where the product consistency and energy

[1] World Coal Association, http://www.worldcoal.org/coal/

content are improved. This process involves crushing the coal to the required size, removing impurities and, where necessary, blending it with other coal to match customer specifications.

Colombian Coal Industry[2]

Colombia is estimated to have 5.6 billion short tonnes ("Mst") of recoverable (mostly bituminous) coal reserves in 2012, the largest in South America. These deposits are concentrated in the Guajira peninsula bordering the Caribbean and in the Andean foothills. The majority of Colombia's coal production and export infrastructure is located on the Caribbean coast.

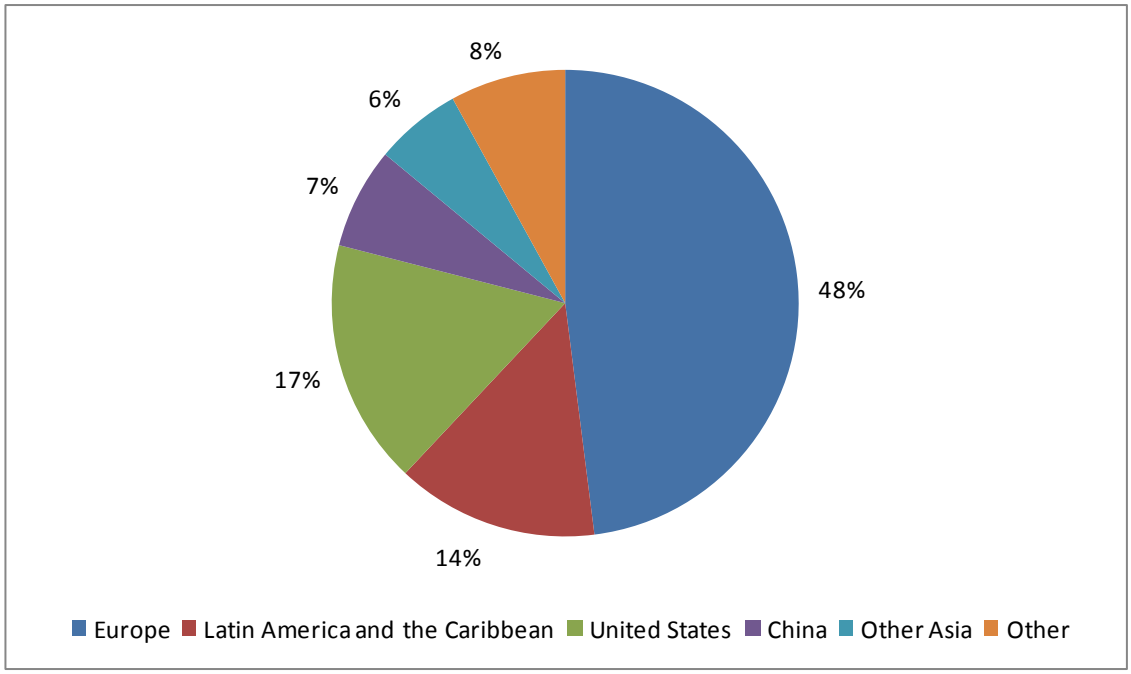
Colombia's coal is relatively clean-burning, with a sulphur content of less than 1 percent. Colombia exports most of its production and in 2009 was the fourth-largest coal exporter in the world after Australia, Indonesia and Russia. Colombia produced 82 Mst of coal in 2010, while only consuming 5.6 Mst. According to the Ministry of Mines, Colombia's coal production rose to 94.6 Mst in 2011. The 2010 production levels set a record for national production, and the Colombian government aspires to double it by 2019.

The largest coal producer in Colombia is the Carbones del Cerrejon consortium, composed of Anglo-American, BHP Billiton, and Xstrata. The consortium operates the Cerrejon Zona Norte project, the largest coal mine in Latin America. The Cerrejon Zona Norte project accounted for circa 38% of Colombia's production in 2011, or about 31 Mst.

US-based Drummond Company operates the second-largest coal mining operation in Colombia, La Loma, which is also an integrated mine-railway-port project, producing circa 27 Mst in 2011, or 33% of Colombia's production.

Colombia exported 76.4 Mst in 2010, mainly to Europe, other South American countries, and the United States. Coal is the country's second largest export after oil and represented 15% of export earnings in 2010.

Colombia's coal exports by Destination for 2010 are set out in the chart below



[2] U.S. Energy Information Administration (www.eia.gov)

For personal use only

APPENDIX 5

Salva Resources Pty Ltd Independent Valuations of the Titiribi Project, the the McPhees Gold Project and the Quartz Hill Project

For personal use only

For personal use only

Epic Resources Ltd

Independent Assessment & Mineral Asset Valuation

Prepared for

RSM Bird Cameron Corporate Pty Ltd

October 2012

Australia | India | Indonesia | Mongolia | United Kingdom
International Head Office
Level 11, 82 Eagle Street,
Brisbane, QLD 4000, Australia
For more information visit www.salvaresources.com
Or call +61 (0) 7 3211 9911

For personal use only

Corresponding author:

Manish Garg
BEng (Hons), Master of Applied Finance
AusIMM
General Manager – Valuations & Due Diligence
Salva Resources – Brisbane Office

Other contributing authors:

Bernhard Heizmann, Principal Consultant – Geology
Sachin Sudhanshu, Analyst – Due Diligence & Valuations

For personal use only

Table of contents

Executive Summary **5**

1 Introduction **7**

1.1 Scope 7

1.2 Reporting standard 7

1.3 Data sources 8

1.4 Competent Persons and Experts statement 8

1.5 Disclaimer and warranty 8

2 COLOMBIAN COAL ASSETS **10**

2.1 Location, infrastructure, and tenure 10

2.2 Ownership and Licenses 11

2.3 Regional Geology 12

2.4 Local Geology 14

2.5 Project Geology 15

2.5.1 HJBN-04 & HJID-06 (El Basal Concession) 15

2.5.2 HBLI-01 (Lara Concession) 16

2.6 Proposed Exploration Programme 17

2.7 Project risks 17

2.8 Valuation 18

2.8.1 Salva's technique 18

2.9 Market based – Comparable Transaction Approach 19

2.10 Appraised Value Approach 22

2.11 Valuation summary – Colombian Asset 23

3 Valuation of Colombian Assets at Assumed Resource **24**

3.1 Valuation at Assumed Resource Status 24

3.2 Market based – Comparable Transaction Approach 24

4 Australian Gold Project **28**

4.1 Project location 28

4.2 Tenements 29

4.3 Project Geology 29
4.4 Historical Mining 30
4.5 Valuation – Gold Projects 30
4.6 Market based Valuation – Comparable Transactions 31
4.7 Cost Based – Appraised Value Method 35
4.8 Valuation Summary – Gold 36
5 Australian Uranium Project 37
5.1 Project location 37
5.2 Tenements 37
5.3 Regional Geology 38
5.4 Local Geology 38
5.5 Exploration Program 38
5.6 Valuation 38
5.7 Cost Based – Appraised Value Method 41
5.8 Valuation Summary – Uranium 42
6 Declaration 43
6.1 Independence 43
6.2 Qualifications 43
7 References 44
Appendix A - Valuation Approaches and Methods 46

List of Figures

Figure 2-1: Titiribi Project location 10
Figure 2-2: Titiribi project - Infrastructure 11
Figure 2-3: Intrusive rocks in Antiquia Region 13
Figure 2-4: Sectional map of coal bearing Amagà formation 13
Figure 2-5: Coal Bearing Strata and General Terrain 14
Figure 2-6: Stratigraphic column of coal bearing Amagà formation 15
Figure 2-7: El Basal concessions with respect to underlying geology 15
Figure 2-8: Cross section across El Basal concession 16

For personal use only

Figure 2-9: Cross section across Lara concession 16
Figure 2-10: Size – Unit Price distribution 21
Figure 4-11: Locational map of McPhees Project 28
Figure 4-12: Project Geology- McPhees Gold 29
Figure 4-13: Historical Mining locations- McPhees Gold 30
Figure 4-14: Relationships between size and value for gold properties 31
Figure 5-1: Quartz Hill Project 38

List of Tables

Table 2-1: Titiribi Project Tenements 11
Table 2-2: Exploration Programme 17
Table 2-3: Typical Valuation Methods 18
Table 2-4: Comparable transactions, Coal projects, Colombia 20
Table 2-5: Market based valuation of Titiribi coal projects, Colombia 22
Table 2-6: Exploration Program - Direct Expenditure 22
Table 2-7: Appraised Value – Colombian Coal 23
Table 2-8: Valuation summary (Titiribi project) 23
Table 3-1: Comparable Transactions – Assumed Resource 24
Table 3-2: Valuation of Titiribi project at Assumed Resource Stages 26
Table 4-1: Epic's Gold Tenements 32
Table 4-2: Comparable transactions, early stage gold projects, WA 32
Table 4-3: Market - Based Valuation summary 35
Table 4-4: Exploration Program - Direct Expenditure 35
Table 4-5: Appraised Value – Epic Gold Assets 36
Table 4-6: Valuation Summary - Gold 36
Table 5-1: Epic's Uranium Tenements 37

List of Appendices

Appendix A - Valuation Approaches and Methods

For personal use only

Key abbreviations

Anticline	An anticline is a fold that is convex up and has its oldest beds at its core
ASIC	Australian Securities and Investment Commission's Regulatory Guide 112 – Independence of experts (ASIC 2011)
ASX	Australian Securities Exchange
Au	Coal
$	Australian dollars
AusIMM	Australian Institute of Mining and Metallurgy
Company	Epic Resources Ltd
Cretaceous	Geological period (70 million years to 140 million years ago)
DCF	Discounted cash flow
EEM	Exploration expenditure multiples (method of mineral valuation)
Formation	A formation consists of a certain number of rock strata that have a comparable lithology, facies, or other similar properties.
Gangue	The commercially worthless material surrounds, or is closely mixed with, a wanted mineral in an ore deposit.
Ha	Hectare
JORC	2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Jurassic	Geological period (140 million years to 200 million years ago)
Km	Kilometre(s)
km^2	Square kilometre
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
NPV	Net present value
NTA	Net tangible assets
Project	The Titiribi Project located in Colombia
RC	Reverse circulation (drilling)
Salva	Salva Resources Pty Ltd
Syncline	A syncline is a fold, with younger layers closer to the centre of the structure
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

For personal use only

For personal use only

Executive Summary

RSM Bird Cameron Corporate Pty Ltd (RSMBCC) has engaged Salva Resources Pty Ltd (Salva) to prepare Independent Valuations of the mineral assets of Epic Resources Ltd (Epic or the Company) in Australia and coal assets of Carbones de Colombia (CDC) who has a 90% interest in the issued share capital of Carbones de Titiribi, holder of Titiribi coal concessions (Titiribi or the project) which are located in the Department of Antioquia, Colombia.

The Titiribi project, located in the Antioquia Department in the northwest part of Colombia covers a tenement area of 210 hectares (Ha). The region is known to host a number of coal bearing areas, and is historically associated with coal mining. According to Behre Dolbear's report on the evaluation of the Titiribi coal concession, at least 7 major and 2 minor coal seams crop out within the tenement. Seams occurring in the area have a thickness ranging from 0.9 to 5.0 metres. A number of trenches have been dug to uncover coal seams at various locations of the tenement. There is evidence of small historic coal mines in the North- East section of the tenements.

Epic's mineral assets in Australia consist of the McPhees gold project near Marble Bar in Western Australia and the Quartz Hill uranium project which is located 220 km North-East of Alice Springs in Northern Territory.

The McPhees region comprises of several old pits where historically gold has been mined. Gold has been previously mined at the McPhees project by a series of small pits and shafts between 1933-39 and subsequently during 1994-98. Gold mineralisation at the McPhees project occurs within North-East trending shear zones in altered schistose wall rocks and quartz veins comprising of actinolite and pyrrhotite minerals. Generally gold occurs as fine grains within needle shaped acicular quartz veins or as small grains disseminated in composite grains of arsenopyrite mineral.

The Quartz Hill Project is situated in the Harts Range where several different styles of uranium mineralisation have been observed. The Quartz Hill region is known to be highly perspective for uranium and rare earth elements (REE) mineralisation. The project area has been primarily targeted for uranium exploration and intermittently explored since 1970s to recent years.

Salva's opinion of the fair market value of Epic's and CDC's mineral assets lies in the range $1.7 million and $2.9 million with a preferred value of $2.3 million as summarised in the following table.

Project	Values ($ 000)		
	Low	High	Preferred
Titiribi Project	1,500	2,500	2,000
Titiribi Project - **CDC's Share (90%)**	1,350	2,250	1,800

McPhees Gold	85	170	120
Quartz Hill Uranium	230	515	340
Epic + CDC's Mineral Assets	**1,665**	**2,935**	**2,260**

RSMBCC has instructed Salva to also value CDC's mineral assets assuming the following inferred or Measured coal resources had been defined in accordance with JORC guideline of coal with minimum specification of >5,500 kcal/kg energy, <15% ash and <1% Sulphur:

- an Inferred Resource of 10Mt;
- an Inferred Resource of 20Mt; and
- a Measured Resource of 20Mt.

Salva's opinion of the fair market value of CDC's mineral assets at assumed Inferred and Measured Resource stages is shown below:

		At 10Mt Inferred Resource	**At 20 Mt Inferred Resource**	**At 20Mt Measured Resource**
Titiribi Project (100%) $'000	Lower	$3,300	$6,600	$10,000
	Higher	$6,800	$13,600	$20,000
	Preferred	$5,000	$10,000	$15,000
CDC's 90% Equity Interest $'000	Lower	$2,970	$5,940	$9,000
	Higher	$6,120	$12,240	$18,000
	Preferred	**$4,500**	**$9,000**	**$13,500**

For personal use only

For personal use only

1 Introduction

RSM Bird Cameron Corporate Pty Ltd (RSMBCC) has engaged Salva Resources Pty Ltd (Salva) to prepare Independent Valuations of the mineral assets of Epic Resources Ltd (Epic or the Company) in Australia and coal assets of Carbones de Colombia (CDC) who has a 90% interest in the issued share capital of Carbones de Titiribi, holder of Titiribi coal concessions (Titiribi or the project) which are located in the Department of Antioquia, Colombia.

Epic is a publically listed (ASX) company with main assets being the early stage gold and uranium exploration tenements in Australia. CDC's main asset is the 90% holding in Titiribi coal exploration project in the Department of Antioquia in central Colombia.

1.1 Scope

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

- a valuation of Epic's exploration assets being:
    - its farm-in rights to tenement number EL 24838 and EL 25296 of the Quartz Hill project; and
    - its exploration licences EL 29137, EL 29143 and EL 29144 of the Quartz Hill project; and
    - its exploration licences E45/3648 and P45/2783 of the McPhees Gold project.
- a valuation of CDC's exploration assets, being exploration licences HJBN-04, HJID-06 andHJLI-01 located in the Titiribi project, Colombia;
- a valuation of CDC's exploration assets assuming the following inferred or Measured coal resources had been defined in accordance with JORC guidelines of coal with a minimum specification of >5,500kcal/kg,<15% Ash and <1% Sulphur:
    - an Inferred Resource of 10Mt;
    - an Inferred Resource of 20Mt; and
    - a Measured Resource of 20Mt.

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.

For personal use only

1.3 Data sources

This review is based on the information provided by the Epic, the technical reports of consultants and previous explorers, as well as other published and unpublished data relevant to the area. 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 tenement standing pertaining to the assets was, however, not investigated and Salva was not required to do so.

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

1.4 Competent Persons and Experts statement

The information in this report that relates to Exploration Targets and Exploration Results is based on information derived from data and reports provided by the company. This information was compiled by, or under the supervision of Manish Garg (BEng (Hons), Master of Applied Finance, AusIMM) and Bernhard Heizmann (M.Sc (Geology), AusIMM).

Mr Garg and Mr Heizmann have 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

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

Salva is not qualified to express legal opinion and has not sought any independent legal opinion on the ownership rights and obligations relating to the respective mineral assets under licence or any other fiscal or legal agreements that Epic or CDC may have with any third party in relation to the Titiribi project.

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

- results from Salva’s reliance on information provided by Epic 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 programmes and the impact of these events on the Epic and/or CDC's project. Forward-looking information is subject to significant risks and uncertainties, as actual results may differ materially from forecasted results. Forward-looking information is provided as of the date hereof and Salva 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 October 2012. 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. Salva services exclude any commentary on the fairness or reasonableness of any consideration in relation to this acquisition.

For personal use only

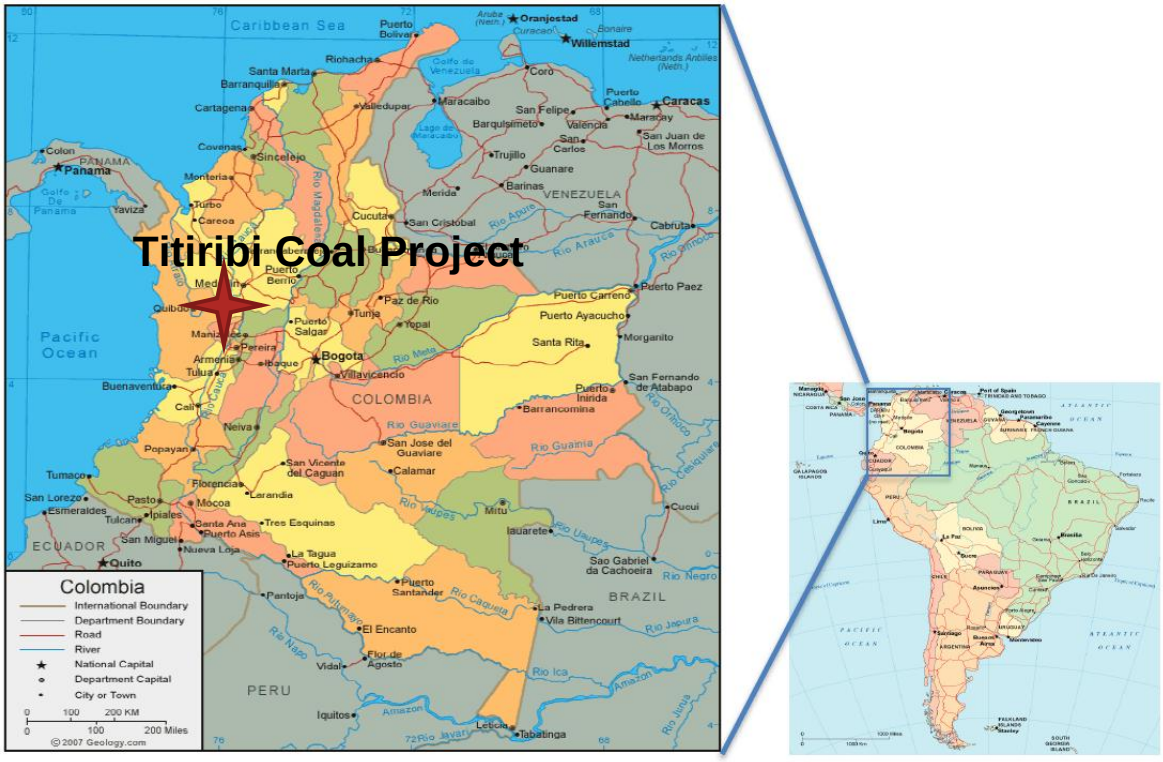
For personal use only

2 COLOMBIAN COAL ASSETS

2.1 Location, infrastructure, and tenure

The Titiribi project is located in the Antioquia Department in the northwest part of Colombia (Figure 2:1). The Antioquia Department is spread into an area of 63,612 Km^2 and borders with 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 2-1 shows the location of the project.

Figure 2-1: Titiribi Project location



Antioquia is one of the 32 departments of Colombia with an approximate population of 6.6 million people. Antioquia is divided in to 9 sub regions containing 126 different municipalities. Medellin 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 Titiribi project lies in the southern Antioquia region at approximately latitude 6˚03′25″N and longitude 75˚50′ W and is 70 km southwest of the city Medellin. The Titiribi project lies between a rectangle grid 1162000 to 11700000 Northing and 1135000 to 1138000 Easting as defined in the Bogota National Grid. The project is accessed from the city of Medellin via highways #25 and #60 to the town of Titiribi. The project is accessible by 18 km of unpaved gravel road to the east of the town of Titiribi (Figure 2-2).

For personal use only

Figure 2-2: Titiribi project - Infrastructure



Source: Salva Resources

Antioquia has a tropical climate, and for most of the year experiences a spring like climate. Rainfall is not uncommon throughout the year but the rainy season generally falls between October to December. 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 1600 millimetre (mm).

The central and western cordilleras mountain ranges pass through the department. Major Mineral resources in the department include Gold, Nickel, Bauxite and coal of both thermal and coking grade.

2.2 Ownership and Licenses

The state of Antioquia hosts a number of coal bearing areas, with the Licenses located in the southwestern part of the state in the Municipality of Titiribi. Salva has prepared this report upon the understanding that CDC has a 90% interest in Carbones de Titiribi which owned tenements (HJBN-04, HJID-06 and HJLI-01) are currently in good standing and has not independently verified Carbones de Titiribi's legal tenure over the tenements. Salva is not qualified to make statements in this regard and has relied upon information provided by Epic. The project consists of 3 mining licenses, as set out in Table 2-1 below, covering a total land area of approximately 210Ha. Dominant land use in the region is private farming.

Table 2-1: Titiribi Project Tenements

National Mining Register ID	Area (Ha)	Status	Date Granted	Expiry Date
HJBN-04	52	Granted	30 Jan 2009	30 Jan 2038
HJID-06	11	Granted	4 May 2009	4 May 2038
HJLI-01	147	Granted	2 July 2009	2 July 2038

2.3 Regional Geology

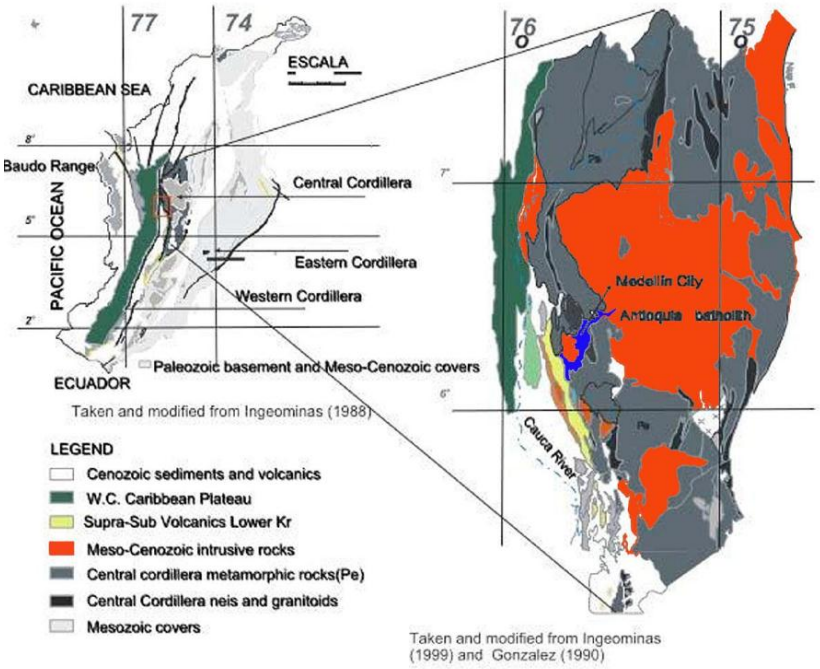
Antioquia lies in the northern part of the western limb of the Andes Mountain, commonly known as the Cordillera Occidental. The Cordillera Occidental is known to host a number of minerals occurrences, including coal. The coal was deposited at two different periods, the Miocene and the Oligocene (between 5 and 34 million years ago). In the lowland located along the margins of the Andes, swamps were developed which facilitated formation of coal seam in this area. Significant variations in the number of coal seams were observed within the province itself which is known by different names at different places. Once the coal was deposited, continued compression between the South American continent and the subducting Nazca Plate caused the younger sediments to be folded and faulted with the long axis of folding and faulting oriented parallel to the Pacific coastline. Primary faults in this area are generally oriented north to south with a 60 degree dip to the east. Compression has been further enhanced by the emplacement of the intrusion near the centre of the Department of Antioquia. Figure 2-3 shows the extent of igneous rocks in the vicinity of Medellin. Subsequent geologic events have resulted in cross faulting at an angle to these major faults. These faults may be either reverse or normal in nature

Regionally, topography of the area is predominantly full of high ridges with steep flanks that are bounded by relatively flat small valleys. The major rivers flow north to south with the minor tributaries entering in a roughly perpendicular direction from east and west.

For personal use only

For personal use only

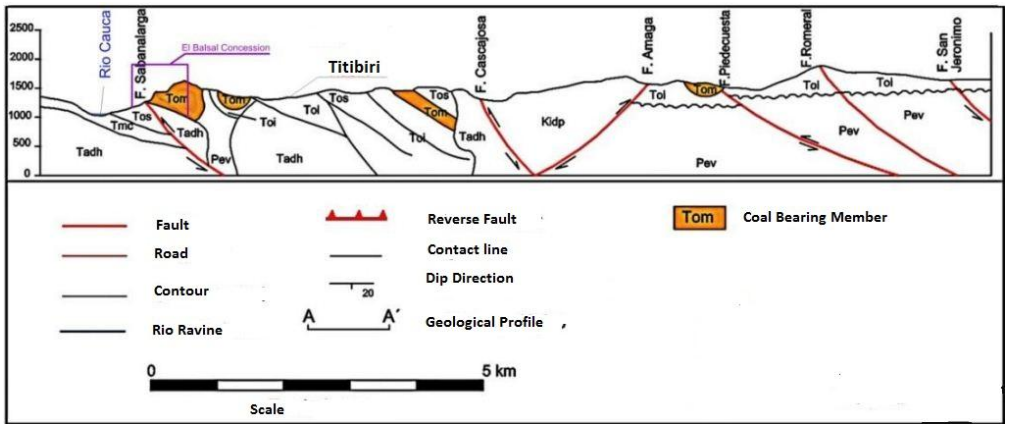
Figure 2-3: Intrusive rocks in Antiquia Region



Source: Behre Dolbear - Titiribi Project Field Report

There are smaller igneous intrusions occurred in the vicinity of the Titiribi Area which also act as host rock for gold deposits found in the area. These intrusive and associated rocks also created conditions which were conducive to the formation of coking coal in the Amagà area which is present in the east of Titiribi, historically known for producing excellent quality coking coal. Figure 2-4 shows the sectional map depicting the location of the coal bearing Amagà formation in the southern part of Antioquia.

Figure 2-4: Sectional map of coal bearing Amagà formation



Source: Salva, Behre Dolbear - Titiribi Project Field Report

The Amagà Formation is tertiary in age and was deposited during the late Oligocene and middle Eocene geological era. It was deposited in a low elevation, fluvial environment. This coal formation (Amagà) crops out over approximately 700 square kilometres within the Department of Antioquia. Based on the presence of coal layers, the Amagà formation has

been subdivided into three members: lower member (Toi, Conglomeratic containing mainly diorite, chert, and milky quartz with insignificant coal), Middle member (Tom, alternate layers of sandstones and claystone, generally coal rich) and upper member (Tos, no coal).

Out of three members explained above, middle member (Tom) is most significant in terms of coal. Thicker coal seams occur in this formation. These seams tend to be limited in areal extent by later faulting,thicknesses range from 0.5 to slightly over 5 meters. The upper portion of this member is gradational with the overlying Upper Member.

The Combia Volcanics overly the Amagà Formation in part of the area. It ranges in age from Eocene to Holocene era and is probably responsible in part for forming conditions conducive to the formation of coking coal.

2.4 Local Geology

The Amagà formation is approximately 550 meters in thickness and sharply defined by the volcanic rocks that enclose the formation. The middle member is transitional between the upper and lower members and hosts coal of potential commercial value. According to Behre Dolbear's report on the evaluation of the Titiribi coal concession, at least 7 major and 2 minor coal seams crop out in this formation. Seams occurring in the area have thickness ranging from 0.9 to 5.0 metres. Figure 2-5 shows the Google Earth Image of the terrain in the general area and the projected coal-bearing strata as mapped by Emil Grosse.

Figure 2-5: Coal Bearing Strata and General Terrain

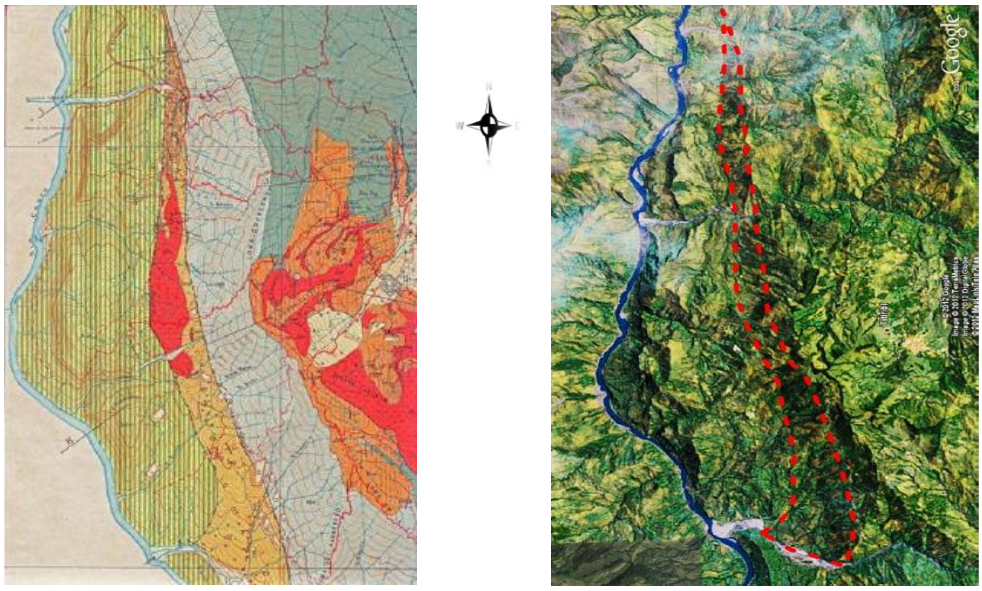
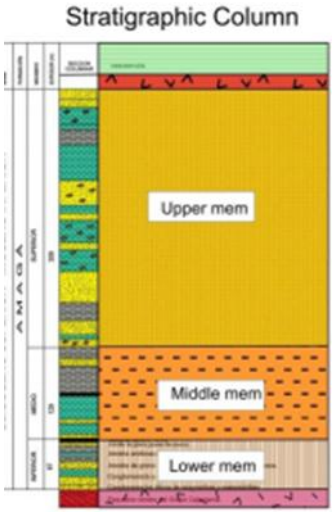


Figure 2-6 depicts the stratigraphic column of coal bearing Amagà formation.

For personal use only

For personal use only

Figure 2-6: Stratigraphic column of coal bearing Amagà formation



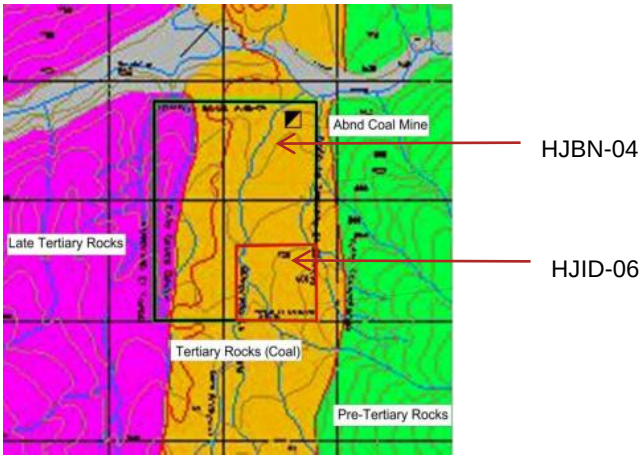
2.5 Project Geology

Geologist(s) from the Colorado office of Behre Dolbear & Company (USA) Inc (Behre Dolbear) has conducted an independent review of the coal properties. Behre Dolbear originally inspected the site in late January 2012. A subsequent visit was made in late June 2012. The analyses of these concessions have been discussed below in the following sections.

2.5.1 HJBN-04 & HJID-06 (El Basal Concession)

Previous owners of the El Basal concession had conducted a small scale mining operation leading to underground mine in the northern section of the concession earlier. Figure 2-7 shows the location of the tenement with respect to underlying geology.

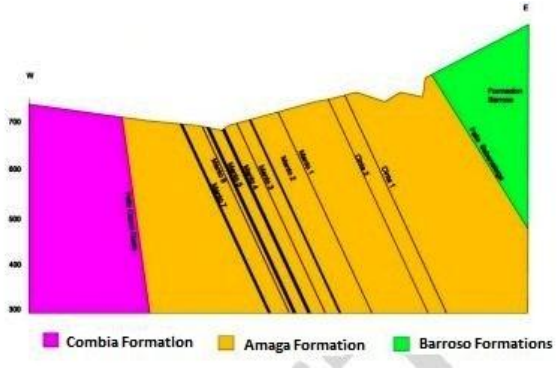
Figure 2-7: El Basal concessions with respect to underlying geology



Initial estimates revealed that coal seams present in the area are generally oriented towards the North East and dipping at approximately 55 degrees to the east. The area was initially explored by Gemi, a Medellin based local geo-services company. More recently the company has commissioned a geological firm to remap the area using photo-geological techniques,

which revealed favourable result for further exploration. Figure 2-8 shows a cross section across the El Basal tenement.

Figure 2-8: Cross section across El Basal concession

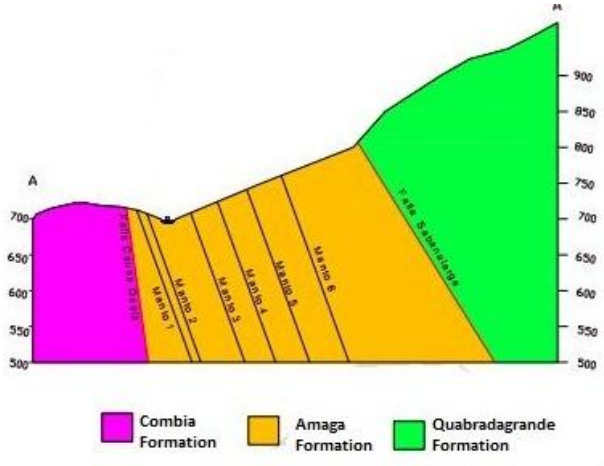


9 steeply dipping coal seams were identified under Amagà formations on the tenement.

2.5.2 HBLI-01 (Lara Concession)

The Lara Concession (HBLI-01) is the largest concession covering an area of 147 Ha. It lies north of the El Basal concession. The basic geology of the Lara concession differs from the EL Basal concession as a minor fault present in the tenement area has uplifted a part of lower coal bearing member. In the southern part of the concession, the upper member overlies the middle member. The middle member's outcrop area in the concession is considerably constrained in comparison to its surface expression in the El Basal concession area. The coal bearing Amagà formation outcrops in the middle part of concession. Gemi had conducted various field studies with a large number of traverses. A number of trenches have been dug to uncover the coal seams at a number of locations. Figure 2-9 shows a cross section across the Lara concession.

Figure 2-9: Cross section across Lara concession



For personal use only

2.6 Proposed Exploration Programme

An exploration programme has been presented to 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 Q4, 2012.

A proposed budget has been scheduled through to 2013. Estimated expenditures are given in Table 2-2.

Table 2-2: Exploration Programme

	2011-2012	2012-2013	2013-2014
Coal Exploration & Studies	$105,000	$700,000	$850,000
Total	$105,000	$700,000	$850,000

2.7 Project risks

For evaluating the Titiribi project, Salva has identified the project risk outlined below. Material changes to any of the assumptions below may result in the basis on which the Titiribi project was evaluated becoming redundant.

Reserves and resources estimate

Mineral reserve and resource estimates are expressions of judgment based on knowledge, experience, and industry practices. Titiribi is an early stage exploration project without any Reserve and Resource estimates. In addition, by their very nature, resource estimates are imprecise and depend to a certain extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans, which may, in turn, adversely affect the Company's operations.

Fluctuations in coal prices and demand for coal

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

- Economic conditions in Colombia and globally
- Government actions
- Fluctuations in industries with high coal demand such as steel market and steel industries.

For personal use only

For personal use only

Exploration and Mining Permits

In Colombia, all mineral resources are owned by the State, no matter who owns the land or has the right to use the land. Salva is not qualified to express legal opinion and has not sought any independent legal opinion on the ownership rights and obligations relating to the respective mineral assets under licence in relation to the Titiribi project.

2.8 Valuation

2.8.1 Salva's technique

In determining the appropriate valuation method(s) to be used for CDC's mineral assets (coal mineralisation areas) 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 the Titiribi tenement are set out in Table 2-3.

Table 2-3: Typical Valuation Methods

Classification	General Description	Valuation Methods
Exploration Areas	Properties where mineralization 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 mineralization 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 not made. Includes properties held on retention titles	The above methods and DCF/NPV valuation

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

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. Salva considers that this valuation approach is appropriate for the Titiribi 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 Titiribi coal deposit 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 tenement area. Fair market value is usually the technical value plus a premium or discount to account for market, strategic considerations and special purposes. 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 tenement’s location and market potential, particularly with respect to the coal qualities.

2.9 Market based – Comparable Transaction Approach

To determine the fair market value for the resources for Titiribi project, Salva has reviewed recent comparable transactions involving coal deposits in Colombia. The market or comparative transaction method has compared a number of recent exploration tenement and pre-feasibility stage mine projects that have occurred in recent years within Colombia. A summary of the transactions are shown in Table 2-4.

Salva identified ten transactions as broadly relevant to the valuation of this project, which are outlined in Table 2-4. All transactions were for coal assets in Colombia. None of these projects had Resources in accordance with JORC Guidelines.

For personal use only

For personal use only

Table 2-4: Comparable transactions, Coal projects, Colombia

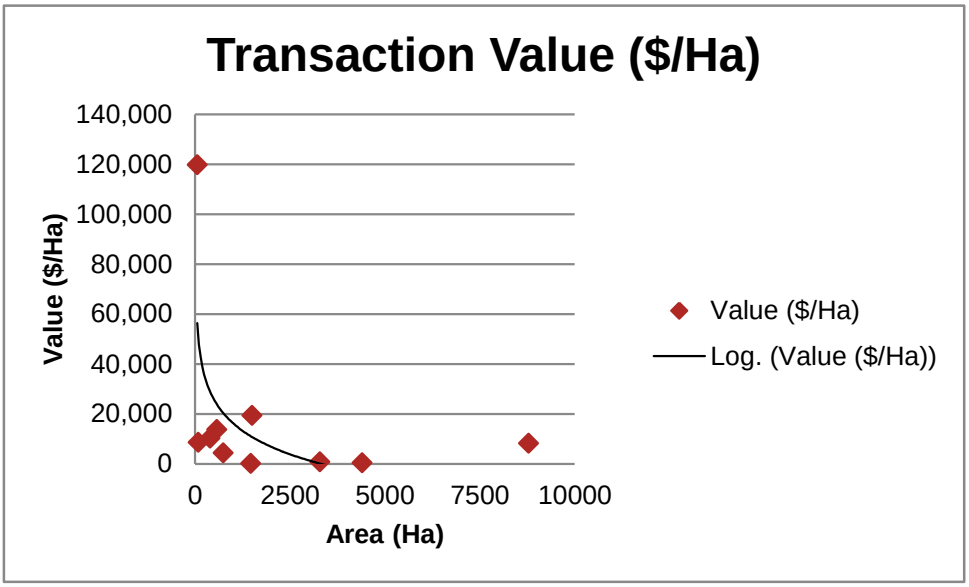
Date	Buyer	Project	Potential Coal Type	Exploration Target	Area Hectare (Ha)	Transaction Value ($/Ha)
Apr-09	Pacific Coal Resources Ltd	C. I. Jam	Coking	3Mt	52	119,696
Aug-11	Colombia Energy Resources Inc	Ruku mining complex (Mining Concession 010-91, FI6-142, HD5-081)	Coking		80	8,564
Dec-10	Tiger Realm Coal Ltd	La Libia GFN-141B	Coking		390	10,287
Feb-12	MMEX Mining Corporation	Hunza Mine	Coking	16-90Mt	568	13,711
Aug-11	New Age Exploration Ltd	FL2-151	Coking	10-18Mt	740	4,412
Jul-11	New Age Exploration Ltd	JBI-11091	Coking	20-40Mt	1466	155
May-12	Continental coal Ltd	Eastern Colombia	Coking		1500	19,417
Feb-11	Colombia Energy Resources Inc	Otanche coal concession	Coking		3283	777
Dec-10	Tiger Realm Coal Ltd	Corinto Project (FEL-165, EK7-151 & EIQ-092)	Coking	95 -190Mt	7820	3,029

Apr-10	Tiger Realm Coal Ltd	Rio Blanco, Rio Blanco East & Popayan (FHD-161, GE3-083 & F12-161)	Coking	188 -283Mt	8780	8,209
Average (Coking)					2,468	$18,826
Median (Coking)						$8,387

Source: Company Announcements
Note: Transactions in USD converted to Australian Dollar ($) at prevailing exchange rate at the date of announcement. Exchange rate sourced from www.x-rates.com.

As evident from the transaction dataset, size of the tenement has a profound effect on unit value (inverse relationship). The distribution of the selected transactions based on the total project area (in hectares) and unit sales price (in $/Ha) are presented in Figure 2-10.

Figure 2-10: Size – Unit Price distribution



Using the range of valuations included in Table 2-4 Salva has:

- removed the two highest and lowest unit value transactions given the wide range of unit value.

After removing the outliers, comparable transactions range from $3,029/Ha to $13,711/Ha. The trend shown on Figure 2-10 showing exploration tenement transactions gives an estimate of $11,000/Ha for a coking coal tenement of 210 Ha. It may therefore be concluded that the value is towards the upper end of the range derived from the tabled coal exploration asset sales.

The Titiribi coal exploration area is in a region highly prospective for hosting coking type coals. Based on its qualitative analysis of 'lower', 'similar' and 'higher' value datasets, Salva considers

For personal use only

that the implied value of this project lies in the range of $6,300/Ha to $12,000/Ha with a preferred value of $9,150/Ha. Salva's values are based on:

- lower value – midpoint between the upper value of the 'lower' data subset and 'similar' dataset;
- upper value – midpoint between the lower value of the 'higher' dataset and 'similar' dataset; and
- preferred value – the average of the range between its lower and upper values.

A summary of Salva's market based valuation is presented in Table 2-5.

Table 2-5: Market based valuation of Titiribi coal projects, Colombia

Item	Size (Ha)	Market value ($000)		
		Lower	Higher	Preferred
Titiribi Project	210 Hectare	$6,300/Ha	$12,000/Ha	$9,150/Ha
Sub-total (Project, 100%) $'000		1,325	2,520	1,920

A range of $1.33 million to $2.52 million is deemed appropriate based on market comparable approach reflecting the uncertainty of potential Resource delineation and eventual extraction of a number of seams.

2.10 Appraised Value Approach

The cost approach or Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement 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 programme by Salva, the effective exploration expenditure is shown in Table 2-6.

Table 2-6: Exploration Program - Direct Expenditure

Year	Amount ($)
2011-2012	105,000
2012-2013	700,000
2013-2014	850,000
Total	1,655,000

For personal use only

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 $1.66 to 2.49 million is attributed as shown in Table 2-7 below.

Table 2-7: 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	700	850	1,655	1.0	1.5	1,655	2,485

2.11 Valuation summary – Colombian Asset

In forming its opinion of the fair market value of Titiribi project, 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 Salva has assessed to have an impact on the development of the tenement, Salva has derived a valuation range for 100% of the Titiribi project of between $1.50M and $2.50 Million with a preferred value of $2.00 Million.

Salva's opinion of the fair market value of CDC's share of the Titiribi coal project (90%) lies in the range $1.35 million and $2.25 million with a preferred value of $1.80 million.

A summary of Salva's valuation of the Titiribi project is presented in Table 2-8.

Table 2-8: Valuation summary (Titiribi project)

Approach	Method	Values ($'000)		
		Low	High	Preferred
Cost-based	Appraised Valuation	1,655	2,485	2,100
Market-based	Market Comparable	1,325	2,520	1,920
Colombian Titiribi Assets (100% Equity)		1,500	2,500	2,000
CDC's Assets (90% of Titiribi Project)		**1,350**	**2,250**	**1,800**

For personal use only

For personal use only

3 Valuation of Colombian Assets at Assumed Resource

3.1 Valuation at Assumed Resource Status

RSMBCC has instructed Salva to value CDC's mineral assets assuming the following inferred or measured coal resources had been defined in accordance with JORC guideline of coal with minimum specification of >5,500 kcal/kg energy, <15% ash and <1% Sulphur:

- an Inferred Resource of 10Mt;
- an Inferred Resource of 20Mt; and
- a Measured Resource of 20Mt.

For the valuation of the Titiribi coal deposit at assumed Resource status, Salva has taken guidance from comparable transactions to value these assets at assumed Resource status.

3.2 Market based – Comparable Transaction Approach

To determine the fair market value for the assumed Resources for Titiribi project, Salva has reviewed recent comparable transactions which involved further staged payment which will be triggered when a pre-defined Resource is defined or when coal is extracted in the future. Salva has identified ten transactions involving such stage payments which are triggered when a defined Resource is identified or when coal is extracted involving coal projects in Colombia. A summary of these transactions are shown in Table 3-1.

Table 3-1: Comparable Transactions – Assumed Resource

Date	Buyer	Property	Type of Coal	Future Payment ($/t)	Description
Oct-08	Galway Resources Ltd	Carboluis	Thermal	1.90	USD1.25/t of economic coal determined by completion of a feasibility study.
Jul-10	Colombia Energy Resources Inc	North Block (GG7-111 & GG7-11522X)	Thermal	2.30	USD$2/t extracted.
Oct-10	Colombia Energy Resources Inc	FLG-092	Coking	2.03	USD$2/t extracted.
Dec-10	Tiger Realm Coal Ltd	Corinto (FEL-165, EK7-151 & EIQ-092)	Coking	0.37	USD14 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	0.20	USD2 Million for every 10 Mt of inferred resource.
Feb-11	Colombia Energy Resources Inc	Otanche coal concession	Coking	2.75	USD2.75/t extracted.
Apr-11	Avenue	El Contento & El Carmen	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.
May-11	New Age Exploration	GHN-103 and GHN-121	Thermal	0.47-0.94	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 USD 1/t for UG, 1.5/t for openpit.
Jun-11	New Age Exploration	La Miel Concession (GP-151)	Thermal	0.125	Payment of USD0.075 – USD0.125 per tonne of underground JORC Measured Resource or USD0.125 per tonne of open pit JORC Measured Resource with a strip ratio of less than 10 bcm waste : 1 tonne coal, capped to USD 30 million, Payment of USD0.5m in cash or NAE shares on commencement of commercial production and Royalty of USD 1 per tonne.

For personal use only

Aug-11	New Age Exploration	FL2-151	Coking	1.78	USD2.95m in cash on cumulative production of 200,000 tonnes saleable coal from FL2-151, Royalty payable of USD1.90 per saleable tonne production.

Source: Company Announcements

Note: Transactions in USD converted to $ at prevailing exchange rate at the date of announcement. Exchange rate sourced from www.x-rates.com.

Out of the ten transactions identified, two involved additional payment when the inferred Resource is delineated. Tiger Realm's acquisition of the La Libia coking coal project involved future additional payments equivalent to $0.20 per tonne of Inferred Resource 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 Tiger Realm's share of 70% of the project.

Progressive payments by Avenue Resources for the acquisition of El Contento & El Carmen's Thermal coal project has associated further share issue proposed which is equivalent to $0.17 per tonne of Inferred Thermal coal Resource. Avenue's transaction was subsequently withdrawn, as company was unable to complete all conditions precedent to the agreement.

In Salva's opinion, the Titiribi coking coal project is likely to be valued between $0.33/tonne to $0.68/t at an Inferred Resource stage given the quality and location of the asset based on comparable market transactions.

Salva was also requested to value the project assuming 20Mt of Measured Reserves. Salva was unable to find any comparable market transaction at Measured Resource (JORC) stage in Colombia. However, Salva notes that some of the transactions in Table 3-1 were at Measured Resource, "Mineable reserve" and "Economic coal" stage ranging from $0.125/t to $1.90/t. Using the range of valuations for these projects, Salva has used qualitative analysis of lower, similar and higher value datasets to determine the value range.

Salva considers that the implied value of Titiribi project at Measured Resource stage lies in the range of $0.50/t to $1.00/t with a preferred value of $0.75/t at Measured Resource stage.

A summary of Salva's market based valuation of the project at Inferred Resource and Measured Resource is presented in Table 3-2 below:

Table 3-2: Valuation of Titiribi project at Assumed Resource Stages

		10Mt Inferred Resource	20 Mt Inferred Resource	20Mt Measured Resource
Unit Value $/t	Lower	$0.33	$0.33	$0.50
	Higher	$0.68	$0.68	$1.00

For personal use only

	Preferred	$0.50	$0.50	$0.75
Project (100%) $'000	Lower	$3,300	$6,600	$10,000
	Higher	$6,800	$13,600	$20,000
	Preferred	$5,000	$10,000	$15,000
90% Equity Interest $'000	Lower	$2,970	$5,940	$9,000
	Higher	$6,120	$12,240	$18,000
	Preferred	$4,500	$9,000	$13,500

For personal use only

4 Australian Gold Project

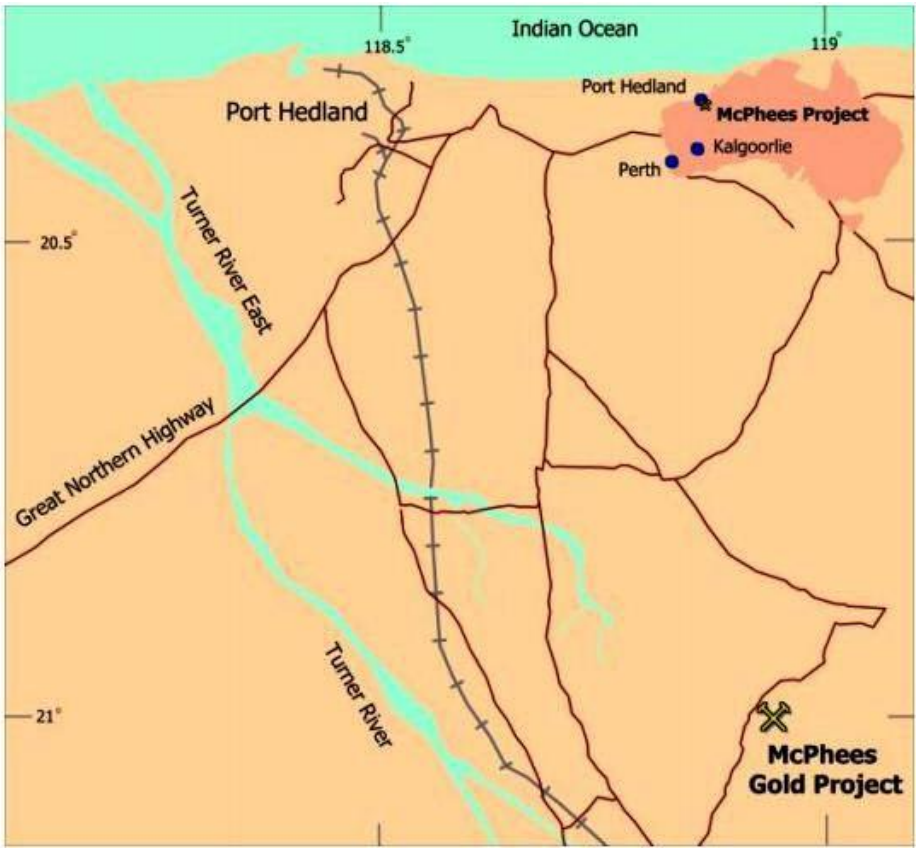
4.1 Project location

The McPhees gold project is located in the Marble Bar mineral field of Western Australia. It is located 80 Km south of Port Hedland. The project comprises of a prospecting license P45/2783 and an exploration license E45/3648, covering a total area of 6.4 Km^2.

The Project is accessible through well maintained gravel roads from the Great Eastern Highway which is 35 Km away from the project area.

The region contains several old pits where historically gold has been mined. Gold has been previously mined from the McPhees project by a series of small pits and shafts between 1933 and 1939. Subsequently Lynas Find mined the McPhees project between 1994 and 1998. Figure 4-1 shows the project location and infrastructure.

Figure 4-11: Locational map of McPhees Project



For personal use only

For personal use only

4.2 Tenements

Salva has prepared this report upon the understanding that Epic's owned gold tenements P45/2783 and E45/3648 are currently in good standing and has not independently verified Epic's legal tenure over the tenements. Salva is not qualified to make statements in this regard and has relied upon information provided by Epic. Table 4-1 shows the status of Epic's gold tenements.

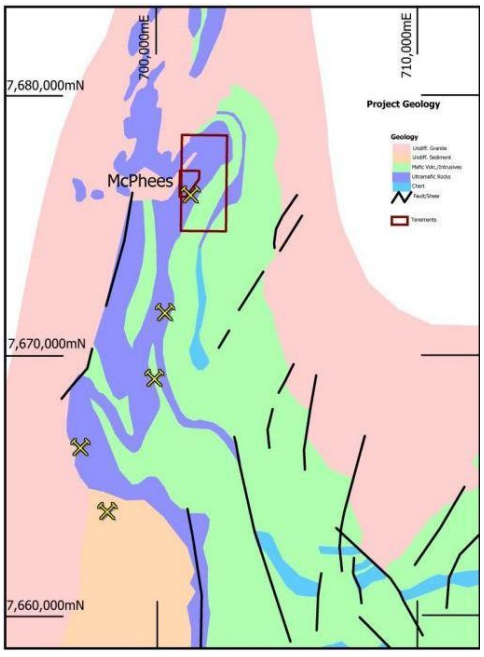
Table 4-1: Epic's Gold tenements

Tenement	Legal Area	Grant	Expiry
E45/3648	2 Blocks	7/09/2011	6/09/2016
P45/2783	58 Ha	8/04/2011	7/04/2015

4.3 Project Geology

The McPhees gold deposit is located in the East Pilbara Granite Greenstone Terrane, within the Pilgangoora Greenstone Belt of the Pilbara Craton. The Pilgangoora Greenstone Belt comprises the northern part of the irregularly-shaped Pilgangoora Syncline, bounded by Carlindi Granitoid Complex to the north and west, Yule Grantiod complex to the south. A truncating Lalla Rookh western Shaw fault bounds it from the east. The Pilgangoora Greenstone Belt covers an area of about 600 km^2 and lies in the central region of the Pilbara Craton. Geologically, Pilgangoora Syncline have been divided into northern Pilgangoora belts and South Pincunah belt along the Mount York deformation zone. Figure 4-2 shows the geological settings of the project.

Figure 4-12: Project Geology- McPhees Gold

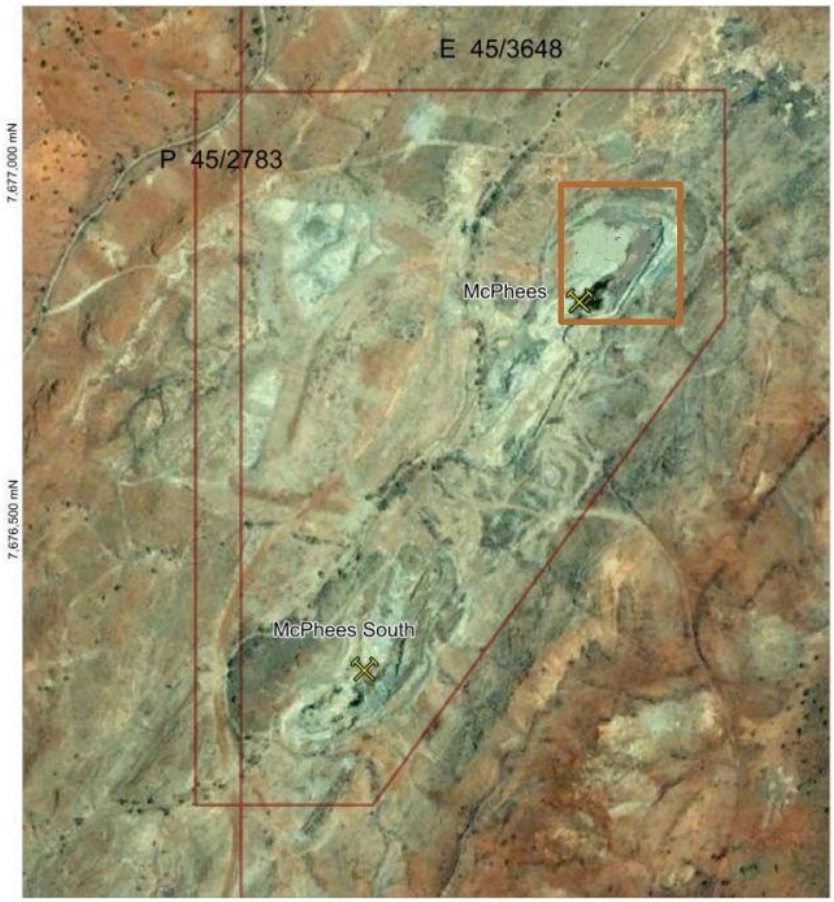


The McPhees project lies within the northern portion of the Pilgangoora Syncline and locally within the core of a major syncline. Gold mineralisation at McPhees occurs within north-northeast trending shear zones within altered schistose wall rocks and quartz veins comprising of actinolite and pyrrhotite. Generally gold occurs as fine grains within acicular quartz veins or more rarely as small grains disseminated in composite grains of arsenopyrite.

4.4 Historical Mining

Gold has been previously mined from the McPhees project by a series of small pits and shafts between 1933 and 1939. Figure 4-3 shows the historic working within the tenement. A total of approximately 340 ounces of gold was produced at an average grade of 5g/t Au from 2,131t of ore during this period. Lynas Find subsequently mined the McPhees project in 1994 to 1998.

Figure 4-13: Historical Mining locations- McPhees Gold



4.5 Valuation – Gold Projects

Salva has carried out the potential valuation of Epic's Western Australian gold tenement in accordance with the VALMIN Code. 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.

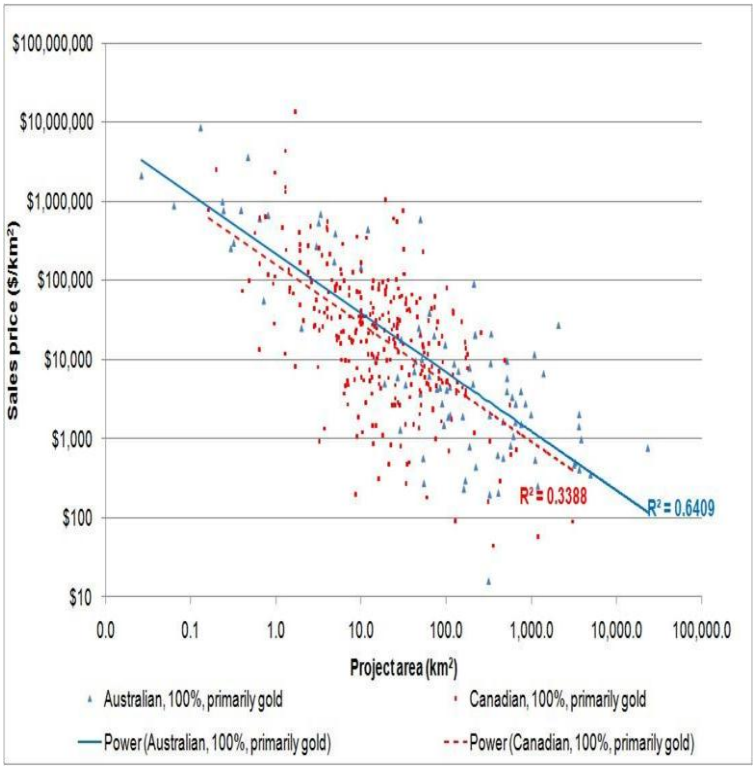
For personal use only

To ascertain the potential value of the project, Salva has used a combination of Market based "the comparable transactions" and cost based "appraised value" methods.

4.6 Market based Valuation – Comparable Transactions

Salva identified eleven transactions as relevant to the valuation of this project, which are outlined in Table 4-2. Salva restricted market transaction database to small properties as the size of the tenement has a profound effect on value (inverse relationship) for gold properties as outlined in Figure 4-14 below.

Figure 4-14: Relationships between size and value for gold properties



For personal use only

For personal use only

Table 4-2: Comparable transactions, early stage gold projects, WA

Date	Parties (Seller - Buyer)	Projects	Transaction	Description	Area km^2	Implied value $/km^2$
Dec-10	WCP Resources Ltd–Undisclosed	Yalgoo	Company acquired from an undisclosed vendor a 100% interest in the Yalgoo project for$0.022 M cash and 0.15 M shares (deemed A$0.09/share).	The 75.0 sqkm Yalgoo project is located about 330 km northeast of Perth in Western Australia.	75	473
Feb-11	Wild Acre Metals Ltd-Undisclosed	Mt Ida South Extension	Wild Acre Metals Ltd obtained from a private vendor 100% interest in the Mount Ida South Extension project for A$0.03 M cash.	The 45.0 sqkm Mt Ida South project is located approximately 200 km north-northwest of Kalgoorlie in the northeastern Goldfields region of Western Australia. In the late 1960's nickel was intersected in auger drilling.	45	667
Sep-10	Mount Resources Pty Ltd–Orion Metals Ltd	Killi Killi	Company acquired from Mount Resources Pty Ltd a 100% interest in the Killi Killi project for$0.03 M cash, 0.50 M shares with a stated value of $0.05/share and for a 1% gross sales royalty capped at $0.10 M.	The project is located about 300 km southeast of Halls Creek in Western Australia. Orion Metals Ltd reported that the project was prospective for REE, gold and uranium mineralisation. The project was near the third party Browns Range REE deposit.	41.7	1,319
Jan-11	Silver Stone Resources—Undisclosed	Cheritons East	Company acquired from an undisclosed vendor a 100% in the Cheritons East project for A$0.11 M cash and 0.50 M shares (deemed A$0.20/share).	The 58.3 sqkm Cheritons East project is located about 48 km southeast of Marvel Loch in Western Australia. The project lies immediately south of the third party, and mined out Redwing gold deposit	58.3	3,602

For personal use only

Jun-12	Global Metals Exploration NL-Messina Resources Ltd	Leonora	Global Metals Exploration NL acquired from Messina Resources Ltd a 100% interest in the Leonora project for A$0.55 M cash, A$0.77 M in shares and 40.0 M options (no exercise price or term identified).	The 56.9 sqkm Leonora project is located approximately 35 km to the southeast of the Teutonic Bore VMS deposit in Western Australia. The early-stage gold exploration project had previously been subject to geochemical soil sampling and limited drilling.	56.9	23,209
Feb-11	Paynes Find Gold Ltd – private vendor	Paynes Find	Paynes Find Gold Ltd acquired from a private vendor a 100% interest in P59/1941 for $0.05 M cash.	The 1.74 km^2 P59/1941 tenement area is located in the Paynes Find are of western Australia. Little additional project specific detail about the early-stage gold exploration project was identified at the time of announcement.	1.7	29,000
Sep-11	Exterra Resources Ltd – Undisclosed	Zelica Ext	Exterra Resources Ltd acquired from an undisclosed vendor a 100% interest in the Zellica extension project for $0.05 M cash.	The 1.75 km^2 Zellica extension project is located about 70 km southwest of Laverton. The project surrounds Exterra Resources Ltd's Zellica project which contained 0.09 Moz Au which was thought to be amenable to open pit, heap leach extraction.	1.8	29,000
Oct-10	Monteray Group Ltd— Undisclosed	Hickmans	Monteray Group Ltd acquired from a private party a 100% interest in the Golden Ridge South, Malcolm King, Triple 3 and Hickmans projects for $0.11 M cash, 55.0 M shares with a stated value of $0.01/share and 35.0 M four year $0.0125 M options.	The 3.9 sqkm Golden Ridge South, 1.9 sqkm Malcolm Kings, 9 sqkm Triple 3 and 15 sqkm Hickmans projects are located in the Leonora, Leinster and Mt Monger regions of Western Australia.	29.8	34,582
Dec-11	MacPhersons Reward Gold Mines Ltd-Undiscl	Boorara extensions	Company acquired from a number of parties a 100% interest in the Boorara extensions project for a cumulative A$1.16	The 40.0 sqkm Boorara extensions project is located about 8 km east of Kalgoorlie in Western Australia. The project was adjacent to MacPhersons Reward	40	40,025

For personal use only

	osed		M cash payable over three years, 1.47 M shares with a stated value of A$0.30/share.	Gold Ltd's Nimbus-Boorara project area and covered up to 14 km strike length of VHMS prospective terrane. The project has reported historical Minor Workings.		
Feb-11	Paynes Find Gold Ltd – private vendor	Paynes Find	Paynes Find Gold Ltd acquired from a private vendor a 100% interest in P59/1942 for $0.05 M cash.	The 0.84 km^2 P59/1942 tenement area is located in the Paynes Find are of western Australia. Little additional project specific detail about the early-stage gold exploration project was identified at the time of announcement.	0.8	59,000
Jan-11	Phoenix Gold Ltd– Australian Gold Investments Ltd	Broads Dam	Company acquired from a 100% interest in the Broads Dam project for A$0.50 M cash, 10.00 M shares (deemed A$0.18/share) and for a A$10/oz production royalty.	The 30.0 sqkm Broads Dam project is located on the Zuleika Shear Zone in the Eastern Goldfields of Western Australia. The project is near but excludes some historical gold workings.	30	76,667
					Average $/km2	27,049
					Median $/km2	29,000

Epic's McPhees project is a remnant open-pit prospect where mining activities had occurred several times with substantial historic data. The significant level of historical exploration and mining activity will require considerable desktop analysis in order to adequately utilise the available data. The economic potential of these tenements depends on careful focussed and systematic exploration program aimed to identify sufficient mineralisation and enable drilling to outline resources

An analysis of the McPhees project relative to comparable transactions suggests that the valuation for McPhees project should be in the lower part of the comparable transaction range, and probably between $14,500-29,000/km^2 with a preferred value of $20,000/km^2. In addition, this valuation range is in-line with the expected value from the property size vs. value graph in Figure 4-4, lending support to this argument.

In summary, the McPhees project is valued at $120,000 within the range of $88,000 to $177,000. A summary of Salva's market-based valuation of Epic project is presented in Table 4-3 below.

For personal use only

Table 4-3: Market - Based Valuation summary

Project	Tenement Size (km^2)	Selected value ($ 000 / km^2)			Project value ($ 000)		
		Low	High	Preferred	Low	High	Preferred
McPhee	6.1	14.5	29.0	20.0	88	177	120
Equity Share (100%)					**88**	**177**	**120**

4.7 Cost Based – Appraised Value Method

Salva have used the Appraised Value method to estimate the realisable (market) value for all of the tenements that comprise Epic's Gold Project. This method is commonly used to assess value for "grass-roots" through to maturing exploration tenements, where no resources in accordance with JORC Guidelines has been identified or where a resource in accordance with JORC Guidelines may be available but insufficient information relating to development processes and timing are available. The cost based Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement 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 programme by Salva, the effective exploration expenditure is shown in Table 4-4.

Table 4-4: Exploration Program - Direct Expenditure

Year	Amount
2009-2010	9,000
2011-2012	3,000
2012-2013 Forecast	20,000
2013-2014 Budget	50,000
Total	**82,000**

Salva has applied a prospectivity enhancement multiplier (Lawrence/Minval/PEM schema) of 1.0 to 2.0 based on the fact that existing data consists of historical exploration records and the results are sufficiently encouraging to warrant further exploration on one or more defined targets.

Therefore for the Appraised Value Method a possible value of $82,000 to $164,000 is attributed as shown in Table 4-5 below.

Table 4-5: Appraised Value – Epic Gold Assets

Exploration Expenditure ($000)			Base Value ($000)	Enhancement Multiplier		Value ($000)	
Prior	2012	2013		Lower	Higher	Lower	Higher
12	20	50	82	1.0	2.0	82	164

4.8 Valuation Summary – Gold

In forming its opinion of the fair market value of the Epic's Gold project, Salva has taken guidance from the comparable transactions and cost based methods.

In consideration of comparable transactions, the current market, locality and technical and strategic factors which Salva has assessed to have an impact on the development of the tenement, Salva has derived a valuation range of between $ 85,000 and $170,000 with a preferred value of $120,000.

A summary of Salva's valuation of the Epic's Gold project is presented in table below.

Table 4-6: Valuation Summary - Gold

Approach	Method	Values ($ '000)		
		Low	High	Preferred
Market-based	Comparable	88	177	120
Cost based	Appraised Value	82	164	125
Selected		**85**	**170**	**120**

For personal use only

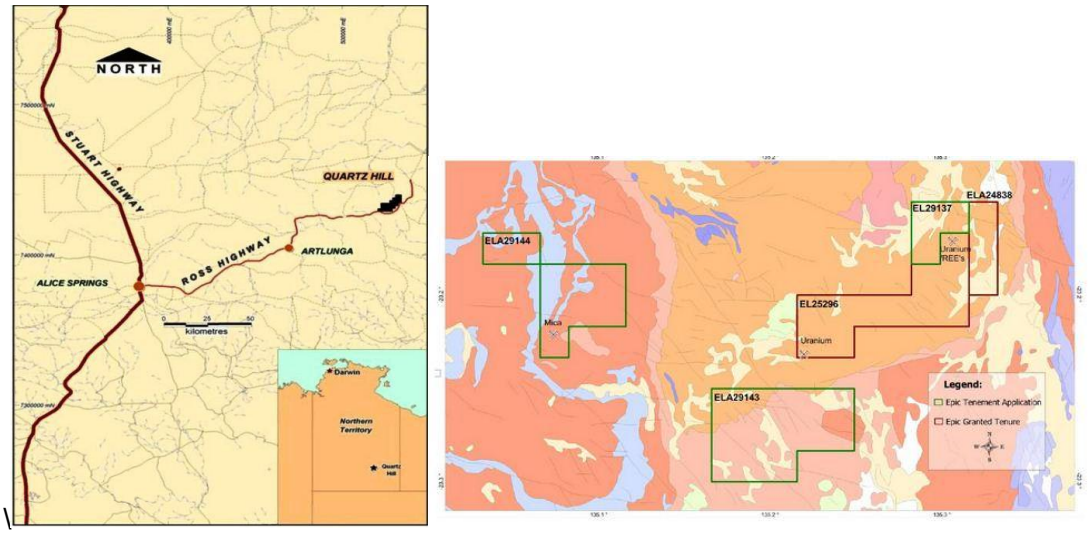
For personal use only

5 Australian Uranium Project

5.1 Project location

The Quartz hill prospect consists of five exploration licenses in the Eastern Harts Ranges in the Northern Territory, around 220 km North-East of Alice Springs and 46km South-East of the Harts Range Settlement. Figure 5-1 shows the location of the project.

Figure 5-1: Quartz Hill Project



5.2 Tenements

Salva has prepared this report upon the understanding that Epic's uranium tenements are currently in good standing and has not independently verified Epic's legal tenure over the tenements. Salva is not qualified to make statements in this regard and has relied upon information provided by Epic. Table 5-1 shows the status of Epic's uranium tenements and Farm-in Agreement.

Table 5-1: Epic's Uranium Tenements

Tenement	Area (km2)	Effective Ownership	Granted
EL24838	9.47	75%*	06/04/2006
EL25296	34.72	75%*	02/11/2006
EL29137	9.47	100%	19/07/2012
EL29143	41.01	100%	19/07/2012
EL29144	28.41	100%	19/07/2012
Total Area (km2)	**123.1**	**91%****	

Note: * 75% interest in EL24838 & EL25296 after completion of 2,000 metres of RC drilling.
** Effective ownership calculated based on weighted average based on area.

Under the Option and Farm-in Agreement entered into by the Company with Cazaly Iron Pty Ltd ("Cazaly") on 29 October 2010, the Company has a right to earn a 75% interest in EL24838 and

EL25296 subject to completing 2,000 metres of RC drilling within 2 years of the Company listing on the ASX, being 14 February 2013.

5.3 Regional Geology

The Quartz Hill Project is situated within the SE corner of the Arunta Inlier belt where several different styles of uranium mineralisation have been observed in the Harts Range. Uranium mineralisation in the area is related to metamorphic, magmatic and hydrothermal processes during the Alice Springs Orogeny (450-300 Ma; Scrimgeour, 2003). Stratigraphy is largely overprinted by the structural thrusting and the division of the Inlier into structural provinces, but there are divisions of groups based on age dating and relationships.

5.4 Local Geology

The Quartz hill region is known to be highly prospective for uranium and rare earth elements (REE) mineralisation. The project area has been primarily targeted for uranium exploration and intermittently explored since 1970s to recent years. The Project is centred on the Harts Range Pegmatite Field where historical exploration has outlined the presence of uranium and rare earth mineralisation.

5.5 Exploration Program

The main exploration had been limited to near surface techniques. Epic had conducted field reconnaissance exploration programme on tenements EL 24838 and EL 25296 (Quartz Hill and Lone Pine Prospect). The main exploration activity was restricted to identifying REE bearing pegmatite bodies in the vicinity of the prospects.

The exploration campaign focused on the most prospective individual pegmatite where historical rare earth mineralisation was reported. The area is dominated by hilly topography and long, linear ridge lines of pegmatite bodies. Mapping of this area confirmed the presence of several concentric zones within individual pegmatite bodies. It shows a minimal depth of erosional exposure with only the outer 'Wall' and minor 'Intermediate' zones of the pegmatite exposed. These zones are prospective for niobium-rich mineralisation, compared with the tantalum-rich mineralisation of the inner 'Intermediate' and 'Quartz Core' zones. Cumulatively 37 samples were taken from identifiable zone with multiple samples drawn out at different locations along strike of the larger pegmatite body.

The Company intends to pursue further expansion of mapping and sampling at the Lone Pine and Quartz Hill field. Evidences of mineralisation were found in the vicinity of the Quartz Hill tenement during this phase of initial reconnaissance exploration. Subsequently, Epic applied for the grant of the new tenements, EL 29/137, EL 29/143 and EL 29/144 (shown in green below). On 4th July 2012, Epic has received an intention to grant from Department of Resources, NT. These new tenements cover a total area of 78Km^2.

5.6 Valuation

Salva has used a combination of methods to assess a reasonable valuation estimate for the Epic's Uranium tenements. These methods include a market estimate and an appraised value based on exploration expenditure.

For personal use only

The market or comparative transaction method has compared a number of recent exploration tenements that have occurred in recent years within Australia. A summary of transactions is shown in Table 5-2.

Table 5-2: Uranium Tenement Comparative Transactions

Date	Parties (Sellers-Buyers)	Project	Interest	Consideration	Project Area (km2)	Implied value (A$/km2)
Feb-09	Royal Resources - Aldershot Resources	Northern Territory	Earning 60%	A$0.3 M in exploration expenditure over 3 years	590	850
Apr-08	U Energy Pty Ltd - Eagle Bay Resources	Tregalana, Cultana & Whyalla (SA)	Acquired 75% interest	4 M shares (deemed A$0.20/share)	1,173	900
Feb-08	U Energy Pty Ltd - Minotaur Exploration	Cultana, Tregalana (SA)	Acquired 50% (Tregalana) and 25% (Cultana)	2 M shares (assumed A$0.20/share)	1,173	1,000
Jun-09	Uranio - Deep Yellow	Ponton North (WA)	Acquired 30%	A$150,00 cash	525	1000
Sep-08	Atomic Resources - Scimitar Resources	Uaroo (WA)	Earning 70%	A$0.5 M in exploration expenditure over 3 years	439	1,600
Jun-08	U3O8 - World Uranium	Mango Bore (WA)	Earning 100%	A$0.2 M in exploration expenditure over 2 years	96	2,100
Aug-10	Marmota Energy - Fission Energy	Wynbring (SA)	Acquired 100%	Cash consideration of A$1 M and 500,000 shares	435	2,300
Aug-10	Uranium Equities, - Cauldron Energy	West Lake Frome (SA)	Acquired 80%	A$5 M in exploration over 5 years	2,263	2,600
Mar-08	Southern Uranium - Crescent Gold	Rum Jungle (NT)	Earning 50%	A$1.2 M in exploration expenditure	829	2,900

For personal use only

For personal use only

May-08	Rum Jungle Uranium - Territory Resources	Mt Bundey and Rum Jungle (NT)	Earning 100%	4 M shares (deemed A$0.15/share) 4 M A$0.40 5-year options and A$0.25 M exploration expenditure	265	3,200
Aug-10	Straits Resources - Uranium Exploration Australia	Stuart Shelf (SA)	Earning 70%	A$10 M in exploration over 7 years	3,314	4,300
Mar-08	NuPower Resources - Matilda Minerals	Arrente (NT)	Earning 51%	A$1 M in exploration expenditure over 3 years	360	5,400
Nov-09	Liberty Resources - Toro Energy	Lake Way (WA)	Earning 100%	A$1 M	144	6,900
Sep-10	Antofagasta Plc - Monax Mining	Punt Hill (SA)	Earning 70%	Antofagasta obtained the option to earn a staged 70% interest in the Punt Hill project by spending US$9.00 M on exploration over more than four years.	1,278	11,200
May-10	Red Metal - Cameco	Lakes (SA)	Acquired 51%	A$16 M in exploration over 6 years	2,024	15,500
May-08	Universal - Newcrest	Mt Malakoff (QLD)	Acquired 100% interest	3% royalty and production pre-payment of A$0.5 M	18	27,800
Apr-08	Uranium Equities - Hanson Aust.	Narbalek (NT)	Acquired 60% that it didn't own	A$0.5 M cash and assumption of environmental liabilities.	13	64,600
Average after removing the highest and lowest unit value transaction						5,913
Median						2,900

Transaction dataset suggest that the transaction pertaining to early stage exploration project lies between $850 per square km to $64,600 per square km with the median of $2,900 per square km.

For personal use only

Salva considers the Epic's Uranium project to be comparable with projects towards the median of the comparable transaction data pack given that Quartz hill region is known to be highly prospective for uranium and rare earth elements (REE) mineralization and the project area has been primarily targeted for uranium exploration and intermittently explored since 1970s to recent years.

In forming our opinion, Salva has applied upper limit to the market-based value of the Epic resources at $5,400 per square kilometre, which is the mid-point of 'higher' and 'similar' transaction dataset, while the lower limit selected was $1,600 per square kilometre, which is a midpoint between 'lower' and the 'similar' transaction dataset.

Salva's values are based on:

- lower value – midpoint between the upper value of the 'lower' data subset and 'similar' dataset;
- upper value – midpoint between the lower value of the 'higher' dataset and 'similar' dataset; and
- preferred value – the average of the range between its lower and upper values.

A summary of market based valuation is given in Table 5-3 below.

Table 5-3: Market based valuation of Uranium Tenements

Project	Tenement Size (km^2)	Selected value ($/ km^2)			Project value ($'000)		
		Low	High	Preferred	Low	High	Preferred
Quartz Hill	123.1	1,600	5,400	2,900	197	665	357
Ownership Adjusted Equity Share (91%)					**179**	**605**	**325**

5.7 Cost Based – Appraised Value Method

Salva have used the Appraised Value method to estimate the realisable (market) value for all of the tenements that comprise Epic's Uranium Project. The cost based Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement 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 programme by Salva, the effective exploration expenditure is shown in Table 5-4.

For personal use only

Table 5-4 Exploration Program - Direct Expenditure

Year	Amount
2011-2012	85,000
2012-2013 Forecast	181,000
2013-2014 Budget	20,000
Total	**286,000**

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 $286,000 to $429,000 is attributed as shown in Table 5-5 below.

Table 5-5 Appraised Value – Epic Uranium Assets

Exploration Expenditure ($000)			Base Value ($000)	Enhancement Multiplier		Value ($000)	
2011	2012	2013		Lower	Higher	Lower	Higher
85	181	20	286	1.0	1.5	286	429

5.8 Valuation Summary – Uranium

In forming its opinion of the fair market value of the Epic's Uranium project, Salva has taken guidance from the comparable transactions and cost based methods.

In consideration of comparable transactions, the current market, locality and technical and strategic factors which Salva has assessed to have an impact on the development of the tenement, Salva has derived a valuation range of between $ 230,000 and $515,000 with a preferred value of $340,000.

A summary of Salva's valuation of the Epic's Uranium project is presented in table below.

Table 5-6: Valuation Summary - Uranium

Approach	Method	Values ($ '000)		
		Low	High	Preferred
Market-based	Comparable	179	605	325
Cost based	Appraised Value	286	429	355
Selected		**230**	**515**	**340**

For personal use only

6 Declaration

6.1 Independence

Salva Resources is a privately owned and operated mining and resource industry consultancy providing independent, strategic and tactical advice and personalised professional services to exploration and mining companies, engineering firms, financial institutions and investors. In addition, Salva Resources confirms its independence for the purpose of the Australian Securities and Investment Commission's Regulatory Guide 112 – Independence of experts (ASIC, 2011). Salva Resources operates through its offices in Australia, Indonesia, India and United Kingdom. Our corporate services include technical audits, project reviews, valuations, independent expert reports, project management plans and corporate advice.

Salva Resources personnel have extensive experience in the preparation of independent valuations for a variety of commodities including coal, gold, base metal, platinum, diamonds and iron. This report has been prepared independently and in accordance with the VALMIN Code. The authors do not hold any interest in the Epic, related parties, or in any of the mineral properties or interested parties, which are the subject of this report. Fees for the preparation of this report are being charged at Salva's standard rates, whilst expenses are being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

6.2 Qualifications

Manish Garg | General Manager/Principal Consultant – Valuations & Due Diligence

Manish has over 24 years' experience in mining operations, marketing, corporate roles and consulting. Before joining Salva Resources, Manish managed business analysis, planning and improvement functions at Rio Tinto, BHP Billiton, WMC Resources, Oceanagold and Pasminco apart from working as Site Manager at base metal operations. Manish's experience includes market intelligence, due diligence, metal and concentrate marketing, valuation, strategic planning and optimising business performance. He seeks to enhance business performance and profitability by analysing business performance and deploying appropriate business planning and improvement systems. Manish has managed and worked on due diligences, feasibility studies and reviews for banks, financial investors and mining companies on worldwide projects including Australia, New Zealand, India, South Africa, Congo, Zambia, Kazakhstan, Peru & Bolivia. Manish is a BEng (Hons) (Minerals Engineering), Master of Applied Finance, and a member of the AusIMM.

Bernhard Heizmann | Principal Consultant – Geology

Bernhard has extensive knowledge in most geological aspects of coal exploration, resource evaluation and mining. Most recently he was the Manager Exploration for Hancock Prospecting managing geology, exploration and resource estimation.

Before joining Salva Resources, he was Exploration Manager for Anglo Coal Australia and was responsible for all of their (QLD and NSW) exploration. Prior to that, he was working as Senior Project Geologist for large mining operation and major mine expansion Bernhard is M.Sc (Geology), and is a member of AusIMM.

7 References

ASIC, 2011. Regulatory Guide 112: Independence of Experts. Australian Securities & Investments Commission [online]. Available from: <http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rg112-30032011.pdf/$file/rg112-30032011.pdf> [Accessed 22 August 2012].

Behre Dolbear, Draft of Preliminary Evaluation of Titiribi Coal Concessions, Department of Antioquia, Colombia

Bucci, L. A., Hodkiewicz, P. F., Jankowski, P., Guibal, D., & Song, X. (2006). JORC and the Colombian Resource Classification Scheme- an SRK view. Bulletin, 24-27.

CIMVAL, 2003, Standards and Guidelines for Valuation of Mineral Properties, The CIMVAL Committee of the Canadian Institute of Mining, Metallurgy and Petroleum [online]. Available from: <www.cim.org/committees/CIMVal_Final_Standards.pdf> [Accessed: 09 August 2012].

Epic Resources Ltd, 2010. Prospectus.

Etheridge M A, 2009. The Black Art of Valuing Mineral Properties, paper presented to Mineral Asset Reporting and Valuation Seminar, Perth 18 October 2009 [online]. Available from <http://aig.org.au/conferences-and-seminars/marv09> [Accessed 04 December 2011].

Goulevitch J and Eupene GS, 1994. Geoscience Rating for Valuation of Exploration Properties – Applicability of the Kilburn Method in Australia and Examples of its Use, in *VALMIN'94: Mineral Valuation Methodologies 1994*, (pp. 175-190). Sydney, Australia: Australasian Institute of Mining and Metallurgy and the Mineral Industry Consultants Association

Goria S, 2004. Evaluation d'un projetminier :approchebayésienne et options réelles, PhD thesis [online]. Available from: <http://www.cerna.ensmp.fr/Documents/SG-These.pdf> [Accessed 4 August 2012].

Guj P and Garzon R 2007.Modern Asset Pricing – A Valuable Real Option Complement to Discounted Cash Flow Modelling of Mining Projects.*Project Evaluation Conference Proceedings*, 113-120, Australasian Institute of Mining and Metallurgy.

Grant R, 1994. The Comparable Sales (Real Estate) Method of Valuation.*VALMIN'94: Mineral Valuation Methodologies 1994*, (pp. 155-165). Sydney, Australia: Australasian Institute of Mining and Metallurgy and the Mineral Industry Consultants Association.

King J, Independent assessment of McPhees Gold deposit (unpublished).

King J, 2011. Competent person report – Quartz Hill Visit Report

JORC, 2004. Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code – 2004 Edition [online], The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and

For personal use only

Mineral Council of Australia. Available from: <http://www.jorc.org/pdf/jorc2004web_v2.pdf> [Accessed: 15 July 2012].

Kilburn L C, 1990. Valuation of Mineral Properties which do not Contain Exploitable Reserves; CIM Bulletin, 83:90-93.

Lord, D, Etheridge M A, Wilson M, Hall G and Uttley P, (2001*). Measuring Exploration Success: An alternative to the discovery – cost – per – ounce method of quantifying exploration effectiveness.* Society of Economic Geologist Newsletter, No 45, April 2001.

Onley P G, 1994. Multiples of Exploration Expenditure as a Basis for Mineral Valuation, in *VALMIN94:Mineral Valuation Methodologies 1994*, pp191-197 (Mineral Industry Consultants Association, The Australian Institute of Mining and Metallurgy; Sydney).

SAMVAL, 2008, The South African Code for the Reporting of Mineral Asset Valuation (The SAMVAL Code), The South African Mineral Asset Valuation Committee (SAMVAL) of the Southern African Institute of Mining and Metallurgy and the Geological Society of South Africa [online]. Available from: <www.samcode.co.za> [Accessed: 28 August 2012].

Spence K N, 2007. An Overview of valuation of Mineral Properties [online], China Mining Conference, Beijing, 14 November 2007 [online]. Available from: <http://www.powershow.com/view/98100-NjFkM/AN_OVERVIEW_OF_VALUATION_OF_MINERAL_PROPERTIES> [Accessed 08 February 2012].

For personal use only

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
- tenements, 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.

For personal use only

For personal use only

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 has some merit and is more or less applicable depending on the circumstances. Mineral assets are generally valued based on approaches that assess income, cost, and the open market. As the VALMIN Code is not prescriptive in this regard, the 2008 Edition of The South African Code for the Reporting of Mineral Asset Valuation (SAMVAL) and the Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties (CIMVAL) provide insight into applicable approaches, as shown in the table below.

Valuation approaches for different types of mineral assets

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

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 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 tenements. 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 tenements 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.

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 tenement 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 tenements 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 approach

Appraised Valuation or Multiple of exploration expenditure method (MEE)

Past expenditure, or the amount spent on exploration of a tenement is commonly used as a guide in determining the value of exploration tenements, 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, Salva applies a scale of PEM ranges as follows to the exploration expenditure:

For personal use only

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 -3.0	Exploration is well advanced and infill drilling is required to define a resource.
3.0	A resource has been defined but a (recent) pre-feasibility study has not yet been completed

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.

For personal use only