

IN THE FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA

IN AND FOR CARSON CITY

LAREW P. STOUFFER, Derivatively on
Behalf of L & L ENERGY, INC.,

Plaintiff,

v.

DICKSON V. LEE, IAN ROBINSON,
ROBERT W. LEE, SHIRLEY KIANG,
DENNIS BRACY, SYD S. PENG,
EDWARD L. DOWD, JR., ANDREW M.
LEITCH, ROBERT A. OKUN, NORMAN
MINETA, JOSEPH J. BORICH, JUNG MEI
WANG, and DAVID LIN,

Defendants,

-and-

L & L ENERGY, INC., a Nevada
corporation,

Nominal Defendant.

) Case No. 11 0C 00352 1B

)
)
) Dept. No. I

) **NOTICE OF PENDENCY AND**
) **PROPOSED SETTLEMENT OF**
) **SHAREHOLDER DERIVATIVE**
) **ACTIONS**

TO: ALL HOLDERS OF L&L ENERGY, INC. ("L&L" OR "THE COMPANY") COMMON STOCK AS OF SEPTEMBER 19, 2014 ("CURRENT L&L SHAREHOLDERS").

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF SHAREHOLDER DERIVATIVE LITIGATION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR RIGHTS MAY BE AFFECTED BY LEGAL PROCEEDINGS IN THE ACTIONS.

IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE ACTIONS, YOU WILL BE FOREVER BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE SETTLED CLAIMS. THE ACTIONS ARE NOT "CLASS ACTIONS." THUS, THERE IS NO COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.

THE COURT HAS MADE NO FINDINGS OR DETERMINATIONS RESPECTING THE MERITS OF THE ACTIONS. THE RECITATION OF THE BACKGROUND AND CIRCUMSTANCES OF THE SETTLEMENT CONTAINED HEREIN DO NOT CONSTITUTE THE FINDINGS OF THE COURT. IT IS BASED ON REPRESENTATIONS MADE TO THE COURT BY COUNSEL FOR THE PARTIES.

This Notice is given pursuant to the Preliminary Approval Order of the First Judicial District Court of the State of Nevada in and for Carson City (the "Court"). The purpose of the Notice is to advise you that the parties in the lawsuits captioned *Stouffer v. Lee*, Case No. 11 0C 00352 1B (Nev. Jud. Dist. Ct. filed Nov. 4, 2011); *Bessent v. Lee*, Case No. 13-2-36158-2 KNT (Wash. Super. Ct. filed Oct. 23, 2013); *Finklestein v. Lee*, Case No. 2:13-cv-02197RSL (W.D. Wash. filed Dec. 9, 2013); and *Giesbrecht v. Lee*, Case No. 3:13-CV-00697-HDM-WGC (D. Nev. filed Dec. 20, 2013) (collectively the "Actions"), have agreed to settle the Actions on the terms and conditions set forth in the Stipulation of Settlement dated September __, 2014 (the "Stipulation"). A copy of the Stipulation may be inspected at the Clerk of the Court's Office for the First Judicial District Court for the State of Nevada in and for Carson City, 885 East Musser Street, Suite 3031, Carson City, Nevada 89701. The Stipulation also is available for viewing and/or downloading at the websites of Robbins Arroyo LLP at www.robbsinarroyo.com/notices, Levi & Korsinsky LLP at www.z1k.com, Gainey McKenna & Egelston at www.gme-law.com, Harwood Feffer LLP at www.hfesq.com, and L&L at www.lenergyinc.com. All capitalized terms used herein, unless otherwise defined, shall have the same meanings as set forth in the Stipulation.

As explained below, the Court will hold a Settlement Hearing on December 4, 2014 at 9:00 a.m., before the Honorable James T. Russell, District Court Judge of the First Judicial District Court of the State of Nevada, located at 885 East Musser Street, Department I, Carson City, Nevada 89701, to determine whether to approve the Settlement. You have the right to object to the Settlement in the manner provided herein. If you fail to object in the manner provided herein at least fourteen calendar days prior to the Settlement Hearing, you will be deemed to have waived your objections and will be bound by the Judgment to be entered and the releases as provided in the Stipulation, unless otherwise ordered by the Court.

This Notice is not an expression of any opinion by the Court with respect to the merits of the allegations or claims made in the Actions, the merits of the defenses asserted, or the fairness or adequacy of the proposed Settlement. This Notice is merely to advise you of the pendency and terms of the proposed Settlement, and your rights thereto.

I. SUMMARY OF THE ACTIONS AND SETTLEMENT NEGOTIATIONS

The Actions were filed by Plaintiffs solely on behalf of and for the benefit of L&L and Current L&L Shareholders and against the Defendants. Plaintiffs generally allege, among other things, that certain of the Company's current and former officers and directors breached their fiduciary duties to the Company in connection with Company's disclosures regarding aspects of the Company's ownership of assets and its financial condition. Specifically, Plaintiffs alleged that the financial statements: (i) inflated financial information; (ii) improperly classified assets; (iii) improperly listed ownership of certain assets and subsidiaries; and (iv) were prepared with inadequate internal financial controls.

After extensively litigating their respective claims and/or defenses, counsel for the Settling Parties engaged in arm's-length negotiations concerning the terms and conditions of a potential resolution of the Actions, including contested mediations before a neutral mediator, the Honorable Layn R. Phillips (Ret.). Following the mediation and negotiations, counsel for the Settling Parties reached an agreement providing for the settlement of the Actions as documented by the Stipulation.

II. THE SETTLEMENT TERMS

The terms and conditions of the proposed Settlement are set forth in the Stipulation. L&L shall, within thirty calendar days after entry of the Judgment, formally express and/or implement and maintain in substance the corporate governance reforms, additions, amendments, or formalizations identified in Exhibit A to the Stipulation ("the Reforms"), for a period of no less than seven years. Defendants acknowledge and agree that the corporate governance reforms, additions, amendments, or formalizations identified in Exhibit A attached hereto are extensive and confer substantial benefits upon L&L and its shareholders. In Exhibit A to the Stipulation, Defendants have acknowledged the value of the Reforms and their connection to the Actions.

The Reforms set forth specific policies and procedures that are designed to strengthen, among other things, the Company's internal controls concerning its public disclosures. In particular, as a result of the Actions, the Company will expand the design and assessment test work over the monitoring function of entity level controls, and enhance documentation of such tests. The Reforms also target general governance issues to address core corporate issues, such as aligning management and shareholder interests, enhanced director training protocols, personnel changes, and an enhanced legal and ethics compliance program.

Defendants have agreed to seek reimbursement from L&L's insurers for any covered costs and expenses required by the Settlement that they incur.

In recognition of the substantial benefits conferred upon L&L as a direct result of the prosecution and Settlement of the Actions, and subject to Court approval, L&L's insurer, on behalf of L&L, shall pay Plaintiffs' Counsel attorneys' fees and expenses in the agreed-to amount of \$795,000 (the "Fee and Expense Amount"). The Fee and Expense Amount was negotiated with the help of the Mediator after the Settling Parties had substantially negotiated the material terms of the Settlement and was the result of arm's-length negotiations between the Settling Parties.

This Notice provides a summary of some, but not all, of the Reforms that L&L has enacted or agreed to enact as consideration for the Settlement. For a list of all of the Reforms, please see Exhibit A attached to the Stipulation.

III. RELEASES

Upon the Effective Date, Plaintiffs, L&L, and Current L&L Shareholders shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice the Released Claims against the Released Persons; provided, however, that such release shall not affect any claims to enforce the terms of the Stipulation or the Settlement.

Also upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice all claims (including Unknown Claims), arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Actions or the Released Claims against Plaintiffs and Plaintiffs' Counsel; provided, however, that such release shall not affect any claims to enforce the terms of the Stipulation or the Settlement.

IV. PLAINTIFFS' COUNSEL'S INVESTIGATION AND RESEARCH, PLAINTIFFS' CLAIMS, AND THE BENEFITS OF SETTLEMENT

Plaintiffs' Counsel conducted an extensive investigation relating to the claims and the underlying events alleged in the Actions including, but not limited to: (1) inspecting, analyzing, and reviewing L&L's public filings with the U.S. Securities and Exchange Commission ("SEC"), press releases, announcements, transcripts of investor conference calls, securities analysts' reports, advisories, media reports, and news articles; (2) researching the applicable law with respect to the claims asserted in the Actions and the potential defenses thereto; (3) conducting comprehensive damages analyses; (4) drafting and filing the various complaints in the Actions; (5) reviewing and analyzing the relevant pleadings in the securities class actions; (6) researching corporate governance issues and best practices, in particular issues relating to companies listed on U.S. stock exchanges whose primary operations are located in China, and comparing such to

L&L's governance structures and policies; (7) preparing mediation briefs; and (8) participating in extensive settlement discussions with Defendants' counsel, including participation in a day-long, in-person formal mediation and many follow-up settlement discussions. As a result of these efforts, Plaintiffs believe the Actions have substantial merit.

Nonetheless, Plaintiffs and Plaintiffs' Counsel also recognize and acknowledge the significant risk, expense, and length of continued proceedings necessary to prosecute the Actions against the Individual Defendants through trial and through possible appeals. Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex cases such as the Actions, as well as the difficulties and delays inherent in such litigation. This matter poses additional risks associated with being able to serve defendants and collect any judgment against the Individual Defendants, especially those who do not reside in the United States, and with the Individual Defendants' limited insurance, which was depleted by the ongoing cost of defending the Actions and the Washington and New York Securities Class Actions. Plaintiffs' Counsel also are mindful of the inherent problems of proof and possible defenses to the claims alleged in such Actions. Plaintiffs' Counsel have conducted a thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, and believe that the Settlement set forth in the Stipulation is fair, reasonable, and adequate, and confers substantial benefits upon L&L and its shareholders. Based upon Plaintiffs' Counsel's evaluation, Plaintiffs have determined that the Settlement is in the best interests of L&L and its shareholders and have agreed to settle the Actions upon the terms and subject to the conditions set forth in the Stipulation.

V. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny they have committed, threatened, or attempted to commit any violations of law or breached any duty owed to Plaintiffs, L&L, or its shareholders. Nonetheless, Defendants have concluded that further litigation of the Actions would be protracted and expensive, and that it is desirable for the Actions to be fully and finally settled in the matter and upon the terms and conditions set forth in the Stipulation. Defendants have also taken into account the uncertainty and risks inherent in any litigation, especially in

complex cases like the Actions. Defendants have, therefore, determined that it is desirable and beneficial that the Actions be settled in the manner and upon the terms and conditions set forth in the Stipulation. Further, Defendants acknowledge that the Settlement is fair, reasonable, adequate, and in the best interests of L&L and its shareholders.

Neither the Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any document or exhibit referred or attached to the Stipulation, nor any action taken to carry out the Stipulation, is, may be construed as, or may be used as evidence of the validity of any of the Released Claims or an admission by or against Defendants of any fault, wrongdoing, or concession of liability whatsoever.

VI. THE SETTLEMENT HEARING

On December 4, 2014 at 9:00 a.m., the Court will hold the Settlement Hearing before the Honorable James T. Russell, District Court Judge of the First Judicial District Court of the State of Nevada, located at 885 East Musser Street, Department I, Carson City, Nevada, 89701. At the Settlement Hearing, the Court will consider: (1) whether the proposed settlement of the claims in the Actions should be approved by the Court as fair, reasonable, and adequate; (2) whether, thereafter, the *Stouffer* Action should be dismissed with prejudice as set forth in the Stipulation; and (3) whether the agreed-upon Fee and Expense Amount for the payment of attorneys' fees and expenses and the Incentive Amount for each of the Plaintiffs should be approved.

VII. YOUR RIGHT TO BE HEARD AT THE SETTLEMENT HEARING

Any Current L&L Shareholder may, but is not required to, appear in person at the Settlement Hearing if you have any reasons why the Settlement should not be finally approved as fair, reasonable, and adequate, or why the Judgment should not be entered thereon, or why the Fee and Expense Amount or Incentive Amount should not be finally approved. If you want to be heard at the Settlement Hearing, then you must first comply with the procedures for objecting, which are set forth below. The Court has the right to change the date or time of the Settlement Hearing without further notice. Thus, if you are planning to attend the Settlement Hearing, you should confirm the date and time before going to the Court. CURRENT L&L

SHAREHOLDERS WHO HAVE NO OBJECTION TO THE SETTLEMENT DO NOT NEED TO APPEAR AT THE SETTLEMENT HEARING OR TAKE ANY OTHER ACTION.

VIII. PROCEDURES FOR OBJECTING TO THE SETTLEMENT

Current L&L Shareholders have the right to object to any aspect of the Settlement. You must object in writing, and you may request to be heard at the Settlement Hearing. If you choose to object, then you must follow these procedures.

A. You Must Make Detailed Objections in Writing

Any objection must be presented in writing and must contain the following information:

1. Your name, legal address, and telephone number;
2. Proof of being a Current L&L Shareholder as of September 19, 2014, the date of execution of the Stipulation through date of the Settlement Hearing, including the number of shares;
3. The date(s) you purchased your L&L shares;
4. A statement of your position with respect to the matters to be heard at the Settlement Hearing, including a statement of each objection being made;
5. The grounds for each objection or the reasons for your desiring to appear and to be heard;
6. Notice of whether you intend to appear at the Settlement Hearing (attendance is not required if you timely have lodged your objection with the Court); and
7. Copies of any papers you intend to submit to the Court, along with the names of any witness(es) you intend to call to testify at the Settlement Hearing and the subject(s) of their testimony.

The Court may not consider any objection that does not comply with these requirements.

B. You Must Timely Deliver Written Objections to the Court, Plaintiffs' Counsel, and Defendants' Counsel

YOUR WRITTEN OBJECTIONS MUST BE ON FILE WITH THE CLERK OF THE COURT NO LATER THAN FOURTEEN CALENDAR DAYS BEFORE THE SETTLEMENT HEARING. The Court Clerk's address is:

Clerk of the Court
FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA
IN AND FOR CARSON CITY
885 East Musser Street, Suite 3031
Carson City, NV 89701

YOU MUST ALSO DELIVER COPIES OF THE MATERIALS TO PLAINTIFFS' COUNSEL AND DEFENDANTS' COUNSEL SO THEY ARE RECEIVED NO LATER THAN FOURTEEN CALENDAR DAYS BEFORE THE SETTLEMENT HEARING. Counsel's addresses are:

Plaintiffs' Counsel:

ROBBINS ARROYO LLP
Kevin A. Seely, Esq.
600 B Street, Suite 1900
San Diego, CA 92101

Counsel for Defendants:

ARMSTRONG TEASDALE, LLP
RICHARD G. CAMPBELL
3770 Howard Hughes Pkwy, Ste. 200
Las Vegas, NV 89169

Any Current L&L Shareholder who fails to object or otherwise request to be heard in the manner prescribed above will be deemed to have waived the right to object to any aspect of the Settlement or otherwise request to be heard (including the right to appeal) and will be forever barred from raising such objection to the Settlement or request to be heard regarding the Settlement in this or any other action or proceeding, and shall be bound by the Settlement, the Judgment, and the releases given.

IX. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation, which requires, among other things: (i) court approval of the Settlement following

notice to Current L&L Shareholders and the Settlement Hearing; (ii) entry of the Judgment in the *Stouffer* Action; (iii) dismissal of the Related Actions with prejudice; (iv) payment to Plaintiffs' Counsel of the Fee and Expense Amount, including the Incentive Amount, as approved by the Court; and (v) the passing of the date upon which the Judgment becomes final. If, for any reason, any one of the conditions described in the Stipulation is not met and the entry of the Judgment does not occur, the Stipulation might be terminated and, if terminated, will become null and void; and the Parties to the Stipulation will be restored to their respective positions as of the date immediately prior to the execution date of the Stipulation.

X. HOW TO OBTAIN ADDITIONAL INFORMATION

This Notice summarizes the Stipulation. It is not a complete statement of the events of the Actions or the Stipulation. There is additional information concerning the Settlement available in the Stipulation, which may be inspected during business hours at the office of the Clerk of the Court, at First Judicial District Court of the State of Nevada, located at 885 East Musser Street, Suite 3031, Carson City, Nevada 89701, on L&L's corporate website at www.llenergyinc.com, or on Robbins Arroyo LLP's website at www.robbinsarroyo.com/notices, Levi & Korsinsky LLP's website at www.z1k.com, Gainey McKenna & Egelston's website at www.gme-law.com, and Harwood Feffer LLP's website at www.hfesq.com.

PLEASE DO NOT CALL, WRITE, OR OTHERWISE DIRECT QUESTIONS TO THE COURT, THE CLERK'S OFFICE, OR L&L REGARDING THIS NOTICE. For more information concerning the Settlement, you may also call or write to: Robbins Arroyo LLP, c/o Darnell R. Donahue, 600 B Street, Suite 1900, San Diego, California 92101, Telephone: (619) 525-3990.