

# **Metal Bank Limited**

(ACN 127 297 170)

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## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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**Time:** 11.00am

**Date:** 17 August 2012

**Place:** Metal Bank Boardroom, Level 9, 50 Margaret Street, Sydney 2000

**This Notice of Meeting and Explanatory Statement should be read in its entirety. If shareholders are in any 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 and Explanatory Statement, please contact Guy Robertson, Company Secretary on +61 2 9078 7666.**



16 July 2012

Dear Shareholder

I am pleased to submit this Notice of Extraordinary General Meeting.

The purpose of the meeting is as follows:

1. ratify the issue of 6,800,000 Shares issued to sophisticated investors;
2. approve the following:
  - a. allotment and issue of 11,400,000 Shares to the parties associated with the Spinifex East Ridge acquisition, in lieu of a cash settlement;
  - b. acquisition of Scott Creek Coal Pty Limited (**SCC**) (**Acquisition**);
  - c. issue of Shares as consideration for the Acquisition;
  - d. placement of 40,000,000 Shares;
  - e. the participation of the Directors in the share issue up to 1,500,000 Shares;
  - f. issue of 40,000,000 Options;
  - g. appointment of Noel Halgreen as a Director of the Company; and
  - h. approve the change of name of the Company to Scott Creek Coal Limited.

As shareholders will be aware, the Company announced the intention to acquire the total issued share capital of SCC on 9 May 2012. I note that as at the conclusion of the offer period all of the SCC shareholders had accepted the offer. This will provide the Company with control over the business of SCC on completion of the Acquisition (which is subject to satisfaction of certain conditions precedent including Shareholder approval).

In the Board's view, the proposed Acquisition represents a defining moment for the Company. In particular, the SCC assets are strategically located in the Bowen Basin region of North Queensland, an area which is synonymous with prospective coal tenements. The proposed Acquisition is considered to be an extension of the Company's strategy of acquiring assets that are likely to create long term Shareholder wealth.

The proposed Acquisition is conditional upon capital raising to issue 40,000,000 shares which is expected to raise approximately \$1,600,000 – which is subject to the lodgement by the Company of a Prospectus. The purpose of this capital raising is to strengthen the Company's balance sheet and assist in the funding of existing assets as well as the SCC assets to be acquired as part of the proposed Acquisition. This fund raising comes at an important phase in the Company's development.

I note that as part of the proposed acquisition Noel Halgreen will join the Board. As outlined in this Notice, Noel has substantial experience with coal assets and will be a valuable addition to the Company. It is also with regret that Michael Sutherland will retire from the Board. I would like to thank Mr Sutherland for his services to the Company and wish him well in the future.

With the proposed Acquisition and given the dominance of coal assets as compared to the overall asset portfolio of the Company, the Directors have thought it appropriate to also change the name to "Scott Creek Coal Limited".

I look forward to seeing you at the forthcoming meeting.

Yours faithfully

A handwritten signature in black ink, consisting of a series of connected loops and a final crossbar, characteristic of a cursive or semi-cursive style.

**Vince Fayad**  
**Chairman**

## Notice of Extraordinary General Meeting

Notice is given that the Extraordinary General Meeting of Shareholders (**General Meeting**) of Metal Bank Limited (**Metal Bank** or **Company**) will be held at 11.00am (AEST) on 17 August 2012 at the Metal Bank Boardroom at Level 9, 50 Margaret Street, Sydney, NSW 2000.

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

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

## Your Vote is Important

The business of the Extraordinary General Meeting affects your Shareholding and your vote is important.

## Voting Eligibility

The Directors of the Company have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders of the Company at 11.00am (AEST) on 15 August 2012.

## Voting in Person

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

## Voting by Proxy

1. **(Appointing a Proxy):** A Shareholder who is entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote for the Shareholder at the meeting. A Shareholder who is entitled to cast 2 or more votes at the Meeting may appoint a second proxy. The appointment of the 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 Shareholder's voting rights. If a Shareholder 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 Shareholder of the Company.
2. **(Direction to Vote):** A proxy need not vote in that capacity on a show of hands on any Resolution nor (unless the proxy is the Chairman of the Meeting) on a poll. However, if the proxy's appointment specifies the way to vote on a Resolution, and the proxy decides to vote in that capacity on that Resolution, the proxy must vote the way specified (subject to the other provisions of this Notice of Meeting, including the voting exclusions noted below).
3. **(Voting restrictions with respect to undirected proxies)** The Chairman of the Meeting intends to vote undirected proxies (where he has been appropriately authorised, having regard to the voting restrictions set out in this Notice of Meeting) in favour of each Resolution.

4. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form (and attach any authority under which it is signed or a copy which appears on its face to be an authentic copy) by:
- (a) post to Metal Bank Limited, Level 9, 50 Margaret Street, Sydney, NSW 2000; or
  - (b) facsimile to the Company on facsimile number +61 2 9078 7661,
- 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.**

### **Corporate Representative**

A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the meeting. Unless it has previously been given to the Company, the representative should bring evidence of their appointment to the General Meeting, together with any authority under which it is signed. The appointment must comply with section 250D of the Corporations Act 2001.

### **Attorney**

A Shareholder may appoint an attorney to vote on their behalf. To be effective for the Meeting, the instrument effecting the appointment (or a copy which appears on its face to be an authentic copy) must be received by the deadline for the receipt of proxy forms (see above), being no later than 48 hours before the Meeting.

### **Majority Required**

Resolutions 1-8 are ordinary resolutions and will be passed if more than 50% of the votes cast by Shareholders entitled to vote on the Resolutions are cast in favour of the Resolutions 1-8.

Resolution 9 is a special resolution and will be passed if more than 75% of the votes cast by Shareholders entitled to vote on the Resolutions are cast in favour of Resolution 9.

### **Inter-conditional Resolutions**

Resolutions 3 and 4 are inter-conditional. If one of these Resolutions is not passed, then neither of those Resolutions will be passed.

Resolution 8 is conditional upon Resolutions 3 and 4 being passed. If one of these Resolutions is not passed, Resolution 8 will not be passed.

Resolution 9 is conditional upon Resolutions 3 and 4 being passed. If one of these Resolutions is not passed, Resolution 9 will not be passed.

## **AGENDA**

### **1 Resolution 1 – Ratification of prior issue of 6,800,000 Shares**

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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 6,800,000 Shares to institutional and sophisticated investors on the terms and conditions set out in the Explanatory Statement.”*

### **2 Resolution 2 – Approval to issue 11,400,000 Shares**

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of 11,400,000 Shares to the Spinifex Vendor or its nominee and the Consultant or its nominee on the terms and conditions set out in the Explanatory Statement.”*

### **3 Resolution 3 – Approval to acquire Scott Creek Coal Pty Limited**

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

*“That, for the purposes of ASX Listing Rule 11.2.1 and for all other purposes, subject to and conditional upon the passing of Resolution 4, Shareholders approve the Company making a significant change to the nature or scale of its activities as described in the Explanatory Statement.”*

### **4 Resolution 4 – Approval to issue the Consideration Securities**

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, subject to and conditional upon the passing of Resolution 3, Shareholders approve the allotment and issue of:*

- (a) 57,125,000 Shares to the Vendors of Scott Creek Coal Pty Limited;*
- (b) 20,000,000 Milestone Payment Shares to the SCC Majority Shareholder; and*
- (c) 2,000,000 Shares to Noel Halgreen and David Jensen,*  
*on the terms and conditions set out in the Explanatory Statement.”*

## **5 Resolution 5 – Approval of Placement of 40,000,000 Shares**

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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 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 40,000,000 Shares to sophisticated and institutional investors on the terms and conditions set out in the Explanatory Statement.”*

## **6 Resolution 6 - Approval for Directors to participate in the share issue up to 1,500,000 Shares**

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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 10.11 and all other purposes, Shareholders approve the allotment and issue of up to 1,500,000 Shares to Directors (or their nominees) on the terms and conditions set out in the Explanatory Statement.”*

## **7 Resolution 7 – Approval to issue 40,000,000 Options**

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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 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 40,000,000 Options to sophisticated and institutional investors on the terms and conditions set out in the Explanatory Statement.”*

## **8 Resolution 8 – Election of Director – Noel Halgreen**

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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 Resolutions 3 and 4, for the purpose of clause 11.1(b) of the Constitution and for all other purposes, approval is given for the election of Noel Halgreen as a director of the Company no later than the date of completion of the Acquisition.”*

## **9 Resolution 9 – Change of Company name**

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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 3 and 4, pursuant to section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to ‘Scott Creek Coal Limited’.”*

## VOTING EXCLUSION STATEMENTS

Under ASX Listing Rule 14.11, the Company will disregard any votes cast on the Resolutions by the following persons:

RESOLUTION	PERSONS EXCLUDED FROM VOTING
1. Ratification of prior issue of 6,800,000 Shares	<ul style="list-style-type: none"> <li>Any person who participated in the issue; and</li> <li>Any of their respective associates.</li> </ul>
2. Approval to issue 11,400,000 Shares	<ul style="list-style-type: none"> <li>The Spinifex Vendor and the Consultant;</li> <li>Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the Resolution is passed; and</li> <li>Any of their respective associates.</li> </ul>
3. Approval to acquire Scott Creek Coal Pty Limited	<ul style="list-style-type: none"> <li>Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the Resolution is passed; and</li> <li>Any of their respective associates.</li> </ul>
4. Approval to issue the Consideration Securities	<ul style="list-style-type: none"> <li>The Majority Shareholder, the Minority Shareholders, Noel Halgreen and David Jensen;</li> <li>Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the Resolution is passed; and</li> <li>Any of their respective associates.</li> </ul>
5. Approval of Placement of 40,000,000 Shares	<ul style="list-style-type: none"> <li>Any person who may participate in the proposed issue;</li> <li>Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the Resolution is passed; and</li> <li>Any of their respective associates.</li> </ul>
6. Approval for Directors to participate in share issue up to 1,500,000 Shares	<ul style="list-style-type: none"> <li>Directors who participate in the Placement; and</li> <li>Any of their respective associates.</li> </ul>
7. Approval to issue 40,000,000 Options	<ul style="list-style-type: none"> <li>Any person who may participate in the proposed issue;</li> <li>Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the Resolution is passed; and</li> <li>Any of their respective associates.</li> </ul>

However, the Company need not disregard a vote if:

- (a) It is cast by a person as proxy for a member who is entitled to vote, in accordance with the directions on the proxy appointment form; or
- (b) 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.

**Dated 16 July 2012**

BY ORDER OF THE BOARD

Guy Robertson  
**Company Secretary**

# EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business specified to be conducted at the General Meeting to be held in the Metal Bank Boardroom at Level 9, 50 Margaret Street, Sydney NSW 2000 on 17 August 2012 at 11am (AEST). 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 in the Notice of Meeting.

The Directors recommend that Shareholders read this Explanatory Statement in full in conjunction with the accompanying Notice of Meeting of which this Explanatory Statement forms a part.

## **1 Overview of Change to Nature or Scale of Activities**

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### **1.1 Background**

Metal Bank Limited (**Company**) is an Australian public company listed on the official list of the ASX (ASX code: MBK).

Metal Bank is in the business of mining exploration and development, and utilises the corporate expertise of its Board and management team to lead investment transactions in the resource industry. MBK's core strategy is to build a valuable inventory of mining assets. This strategy of the acquisition and development of a carefully selected portfolio of mining projects, complimented by a well qualified Board of Directors and an experienced geological team, is considered to be the cornerstone philosophy of the Company.

MBK listed on the ASX on the 25 February 2011.

### **1.2 Current Activities of the Company**

The current principal activities of the Company are:

(a) Spinifex Ridge East, Western Australia

On 25 May 2011, the Company announced that it had acquired an 80% interest in the Spinifex Ridge East Project, a copper and iron ore project in Western Australia consisting of 2 granted exploration leases (E45/2596 and E45/3099).

The Spinifex Ridge East project is adjacent to Moly Mines Ltd's (ASX: MOL) Spinifex Ridge Iron Ore Mine and Molybdenum Project. MOL is currently shipping DSO Hematite Iron Ore at a budgeted production rate of 850,000 tons per annum from the mine.

MBK's Spinifex Ridge East Project has demonstrated iron and base metal mineralisation from previous work including rock chip samples.

Importantly, the tenement is adjacent to the world class Spinifex Ridge molybdenum-copper project owned by MOL. A JORC compliant resource of 500 million tonnes at 0.06% Mo and 0.09% Cu has been recently published by MOL for the Spinifex Ridge deposit. A total of 187Mt has been classified as measured, 282Mt as indicated and 31Mt as an inferred resource ranking Spinifex Ridge presently as one of the largest undeveloped molybdenum deposits in the world.

A review of iron mineralisation in the north of the tenement at Spinifex East Ridge appears highly promising and will be further evaluated.

(b) Killi Killi South

The Company has a 100% interest in the Killi Killi South Rare Earths/Gold Project in the Kimberley region of Western Australia.

The project area hosts a concealed granite intrusion surrounded by an extensive alteration halo that could be the hydrothermal engine driving REE/U/gold mineralisation in the Killi Killi district.

The tenement (E80/4212) is considered to be highly prospective for significant REE/gold occurrences due the unconformity acting as a conduit for hydrothermal fluids. The fluids were most likely expelled from a crystallizing igneous complex, and the regional faults may have provided a pathway for fluids.

The area is also a proven gold region, with Tanami Gold's (ASX:TAM) 350,000 tonnes per annum capacity Coyote Gold Mine located immediately south of the Killi Killi project area. The Killi Killi prospects and the granite lie in the major north-west trending structural zone, known as the Trans-Tanami Structural Corridor, and appear to be at the intersection of a north-north-east fracture system.

MBK's tenement E80/4212 is in close proximity to ORM's Killi Killi East and West tenements, of which encouraging gold and rare earth mineralisation was intersected in 2010 drilling. Of particular interest is the investigation of a coincident gold (Au)/barium (Ba) and strontium (Sr) anomaly in the north east corner of E80/4212. This was generated from previous shallow vacuum drilling undertaken by Barrick Australia Ltd in 2004. This anomaly has had no previous deeper drilling than 10 vertical metres and average of 5 metres. Other identified geophysical targets within E80/4212 will also be drilled.

In June 2011, a high resolution airborne geophysical survey, named "Supplejack Downs", flown by Aeroquest Airborne (controlled by Rich Resources), was completed over the region including E80/4212. The Supplejack Downs airborne survey dataset is registered in the MAGIX register as R70592. Southern Geoscience Consultants was commissioned to process the Supplejack Downs survey data.

In July 2011, a 21 hole aircore/reversed circulation (RC) drilling programme of 921 metres was undertaken to test the various zones of the anomaly.

On the basis of the anomalous rare earth and barium values recorded during this first pass drilling programme, Metal Bank considers that the project warrants further evaluation and is considering options for the next phase of exploration.

(c) Bowen Basin

*Mount Mackenzie*

The tenement EPM 15668 is in the Bowen-Collinsville district of North Queensland, and approximately 30km west-south-west of the township of Bowen.

Principal exploration targets are high tonnage low-grade porphyry-related Cu-Mo+Au systems and high-grade mesothermal precious and/or base metal mineralisation.

### *Ten Mile Creek*

The tenement EPM 15742 is in the Bowen-Collinsville district of North Queensland and approximately 110 kilometres southwest of the township of Bowen.

Exploration targets are low sulphidation epithermal Au-AG deposits and Mt Carlton-style high sulphidation Au-Ag-Cu deposits. Potential also exists for porphyry related Cu-Mo+Au systems and high grade mesothermal mineralisation.

Work to date has included reconnaissance rock chip, stream sediment sampling and localised soils on a number of differing prospects over a period of over 30 years from different companies.

### **1.3 Background to Proposed Change to Nature or Scale of Activities**

On 9 May 2012, the Company announced to the ASX that it had offered to acquire up to 100% of the total issued share capital of Scott Creek Coal Pty Limited (**SCC**), a company which has a number of coal tenements located in the Bowen Basin of North Queensland. Further details of these tenements are set out in section 1.4 below.

The Company has entered into agreements to acquire SCC Shares from:

- (a) the Majority Shareholder, who holds approximately 52% of the SCC Shares; and
- (b) the Minority Shareholders.

The key terms of the Acquisition Agreements are set out in section 1.5 below. Completion of the Acquisition Agreements is subject to the satisfaction or waiver of a number of conditions precedent, including Shareholder approval of the Acquisition by MBK Shareholders and completion of the Second Placement.

By acquiring a total of 100% of the SCC Shares under the Acquisition Agreements and completing the Second Placement, the Company will change the scale of its activities such that:

- (a) its total consolidated assets will increase by approximately 234%
- (b) its total equity interests will increase by approximately 257%; and
- (c) its total securities on issue will increase by approximately 186%.

Accordingly:

- (a) Resolution 3 seeks approval from Shareholders for a change in the scale of the activities of the Company;
- (b) Resolution 4 seeks approval from Shareholders for the issue of Shares to the vendors of the SCC Shares as consideration for those shares; and
- (c) Resolution 5 seeks approval from Shareholders for the issue of Shares as part of the Second Placement.

Resolutions 3 and 4 are inter-conditional. If one of these Resolutions is not passed, then neither of those Resolutions will be passed.

Other information considered material to Shareholders' decision on whether to pass Resolutions 3, 4 and 5 is set out in this Explanatory Statement and Shareholders are advised to read this information carefully.

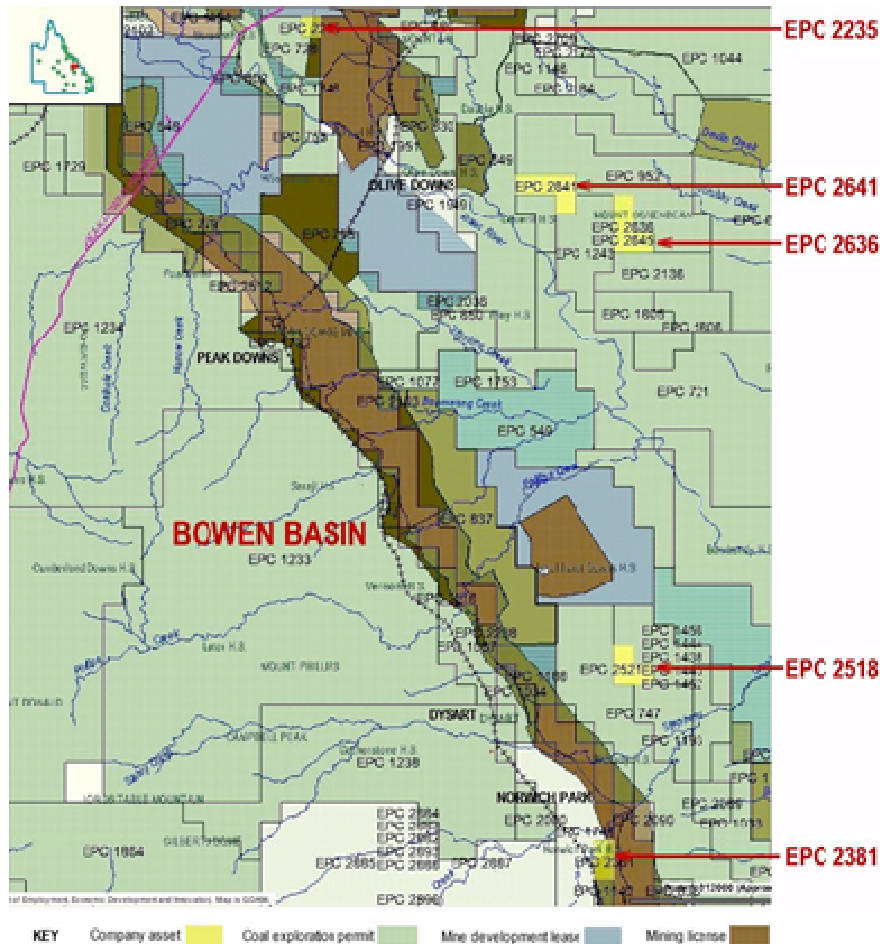
#### 1.4 Scott Creek Coal Tenements

SCC currently holds a portfolio of 5 coal exploration tenements situated within Queensland's Bowen Basin region (**SCC Tenements**). The SCC Tenements are as follows:

Tenement ID	Tenement Status	No. sub-blocks	Approximate Area
EPC 2235	Granted	1	3 sq.km
EPC 2381	Granted	2	6 sq.km
EPC 2636	Priority Applicant	4	12 sq.km
EPC 2641	Priority Applicant	4	12 sq.km
EPC 2518*	Competing Application	3	9 sq.km

\* subject to another holder with priority application status

- (a) **EPC 2235** – is situated on the western side of, and directly adjoins Peabody's Millennium Coal mine expansion project. The tenement, which is close to well established infrastructure and is within 10 km of an existing railway line, is prospective for coking and PCI coal.
- (b) **EPC 2381** – is situated on the western side of, and is directly adjacent to BHP's Norwich Park coking coal mine. The tenement, which is close to well established infrastructure and is within 1 km of an existing railway line, is prospective for export quality coking coal.
- (c) **EPCs 2636 and 2641** – are situated approximately 10km directly east, and 10km south west of Peabody's Olive Downs South and Coldrilla coal mining projects respectively. The tenements are prospective for coking coal, low volatile PCI coal and high energy thermal coal.
- (d) **EPC 2518** – is the subject of a priority application currently held by BHP Coal Pty Limited, and may not be granted to SCC.



**Figure 1: Location of Scott Creek Coal’s coal exploration tenements, Bowen Basin Queensland**

(source: Queensland Department of Employment, Economic Development and Innovation online QDEX system)

For further information on the SCC Tenements, please refer to the Geologist’s Report contained in Annexure C and the Solicitor’s Report contained in Annexure D.

## 1.5 Key Terms of Majority Shareholder Acquisition Agreement

(a) **(Conditions Precedent):** Completion of the Majority Shareholder Acquisition Agreement is subject to satisfaction or waiver of the following conditions precedent:

- (i) approval is obtained from MBK Shareholders for the following resolutions:
  - (A) approval under Listing Rule 7.1 for the issue of the Consideration Securities to the vendors of the SCC Shares (as set out in Resolution 4);
  - (B) approval of the Second Placement authorising the Purchaser to raise an aggregate amount of approximately \$1,600,000 (before expenses and assuming a price of 4 cents per share) through the issue of new Shares at a price of not less than 80% of the Volume Weighted Average Price (as set out in Resolution 5);

- (C) approval under Chapter 11 of the Listing Rules for the change in the scale or nature of the Purchaser's business (as set out in Resolution 3); and
  - (D) approvals under any other sections(s) of the Corporations Act and rule(s) in the Listing Rules and which is applicable to the Transactions;
- (ii) successful completion of the Second Placement by 31 October 2012 or such later date as may be agreed between the Majority Shareholder and the Company;
  - (iii) ASX approval in writing for the quotation of the Consideration Securities and the Shares issued as part of the Second Placement (in each case, those that are not Restricted Securities (as that term is defined in the Listing Rules) or subject to escrow) as from Completion;
  - (iv) between the date of execution of the Majority Shareholder Acquisition Agreement and the date of Completion, ASX does not notify MBK or the SCC (or both) that any of the ASX approvals or confirmations required for the Acquisition will not be given;
  - (v) other than certain approved issues, no Prescribed Occurrence occurs in respect of the MBK;
  - (vi) MBK conducts satisfactory due diligence on SCC;
  - (vii) a binding share sale agreement is sent by the Purchaser to each of the Minority Shareholders within 5 Business Days of the execution of the Majority Shareholder Acquisition Agreement offering to purchase all of the SCC Shares held by the Minority Shareholders; and
  - (viii) the ASX providing a written waiver of Listing Rule 7.3.2 for the Milestone Payment Shares to be issued within 2 years of the Meeting.
- (b) **(Consideration):** To acquire the SCC Shares held by the Majority Shareholder, MBK will issue to the Majority Shareholder:
    - (i) 20,000,000 Shares on Completion; and
    - (ii) 20,000,000 Milestone Payment Shares on satisfaction of a Milestone. The Milestones are set out in Annexure A.
  - (c) **(Escrow):** The Majority Shareholder Consideration Securities will be subject to an escrow period of 12 months from Completion (or such other period which may be determined by the ASX).
  - (d) **(Board Appointment):** On or prior to Completion, SCC must deliver to MBK written consent from the person nominated by SCC to act as a new Director of MBK no later than the date of Completion.
  - (e) **(Warranties):** The Majority Shareholder Acquisition Agreement contains warranties in relation to the SCC Shares held by the Majority Shareholder and SCC which are customary for an agreement of this nature.
  - (f) **(Other):** The Majority Shareholder Acquisition Agreement otherwise contains terms and conditions which are customary for an agreement of this nature.

## 1.6 Key Terms of Minority Shareholder Acquisition Agreements

- (a) **(Conditions Precedent):** Completion of the Minority Shareholder Acquisition Agreements are subject to satisfaction or waiver of the following conditions precedent:
- (i) each accepting Minority Shareholder returning to MBK, by no later than 5:00pm (AEST) on 24 May 2012, a duly signed counterpart of the Minority Shareholder Acquisition Agreement; and
  - (ii) completion of the Majority Shareholder Acquisition Agreement.
- (b) **(Consideration):** To acquire the SCC Shares held by the accepting Minority Shareholders, MBK will issue to each accepting Minority Shareholder two Shares for every one SCC Share sold by a Minority Shareholder.
- (c) **(Director Options):** MBK agreed to purchase 1,000,000 director options in SCC held by each of Noel Halgreen and David Jensen, who are directors of SCC, in consideration for the issue of 1,000,000 Shares to each of Noel Halgreen and David Jensen.
- (d) **(Escrow):** The Minority Shareholder Consideration Securities and the SCC Director Consideration Securities will be subject to an escrow period of 6 months from Completion (or such other period which may be determined by the ASX).
- (e) **(Warranties):** The Minority Shareholder Acquisition Agreements contain warranties in respect of each Minority Shareholder's title to their SCC Shares which are customary for an agreement of this nature.
- (f) **(Other):** The Minority Shareholder Acquisition Agreements otherwise contain terms and conditions which are customary for an agreement of this nature.

## 1.7 Completion of the Acquisition Agreements

Following approval of Resolutions 3, 4 and 5 at the General Meeting, the conditions precedent set out in paragraphs 1.5(a)(i)(A), (B) and (C) will have been satisfied. Subject to the successful completion of the Second Placement, the Company is confident that the remaining conditions precedent in the Majority Shareholder Acquisition Agreement will be satisfied or waived on or before 31 October 2012, being the final date for satisfaction or waiver of conditions precedent under the Majority Shareholder Acquisition Agreement (unless extended). Upon satisfaction or waiver of all of the conditions precedent under the Majority Shareholder Acquisition Agreement, the Company intends to complete the Acquisition under the terms of the Acquisition Agreements as soon as practicable.

## 1.8 Funding of SCC

On 28 May 2012, the Company provided SCC with \$300,000 facility (**Loan**) to assist SCC meeting its funding obligations. The key terms of the facility are as follows:

- (a) **(Term of the Loan):** The Loan expires on 31 August 2012, unless otherwise agreed by the parties. Failure to repay the Loan at or prior to the end of the term shall attract a penalty interest rate of 15% per annum.
- (b) **(Draw Down):** Immediate drawn down of the Loan is available to SCC.
- (c) **(Interest Rate):** The interest rate is 10% per annum, calculated on a daily basis and credited to the Loan account on a monthly basis.
- (d) **(Repayment):** SCC can repay the Loan and accrued interest any time.

- (e) **(Security):** The Loan is unsecured.
- (f) **(Conversion to Equity):** At the end of the term of the Loan, MBK shall at its election have the right to convert any amount outstanding to ordinary SCC shares on the following basis:

$$C = AO / CR$$

Where

$$C = \text{Conversion of the outstanding debt into SCC equity}$$

$$AO = \text{Amount outstanding} / \text{Conversion rate}$$

$$CR = .07 \text{ cents}$$

## 1.9 Capital Raising

### (a) Background

Resolutions 1, 5, 6 and 7 relate to capital raisings undertaken or proposed to be undertaken by the Company. The First Placement and the Option Placement are not related to the Acquisition, although some of the funds raised under the First Placement may be used to pay transaction costs of the Acquisition, such as legal, accounting and geologist's fees. However, the Second Placement is a term of the Acquisition, and some of the funds raised from the Second Placement will be used for exploration expenditure on the SCC Tenements.

### (b) First Placement

On 12 June 2012, the Company completed the First Placement under which it issued 6,800,000 Shares at an issue price of \$0.05 to sophisticated and institutional investors to raise \$340,000 (before costs). The First Placement was completed under the Company's 15% capacity under Listing Rule 7.1. Resolution 1 seeks Shareholder ratification of the First Placement.

The funds raised by the First Placement will be approximately utilised for the following purposes:

Transaction Costs	\$150,000
SCC Loan (part payment)	\$190,000
<b>Total</b>	<b>\$340,000</b>

### (c) Second Placement

As a term of the Acquisition, the Company is required to conduct a further placement to raise approximately \$1,600,000 (before costs and assuming a price of 4 cents per share ) through the issue of Shares under a Prospectus at an issue price of not less than 80% of the Volume Weighted Average Price.

The Company proposes to use the funds raised from the Second Placement in the following manner:

Drilling campaign to delineate	\$800,000
--------------------------------	-----------

maiden JORC resource for the SCC tenements	
Funding of existing assets	\$300,000
Working Capital	\$380,000
Cost of issue	\$120,000
<b>Total</b>	<b>\$1,600,000</b>

As noted in the Company's half yearly report, the Company had a cash balance of approximately \$1,200,000 at 31 December 2011 (which has now reduced to \$900,000 as at 31 March 2012). These funds will also be applied to the exploration of the Company's existing assets, including Spinifex Ridge East, and financing of SCC's creditors.

The Directors of the Company intend to participate in the Second Placement, subject to Shareholder approval for their participation in accordance with Resolution 6.

(d) Option Placement

In addition, the Company intends to issue up to 40,000,000 Options to sophisticated and institutional investors to raise a total of \$4000 (before costs).

(e) Summary of Capital Raisings

The following is a summary of the Shares and Options issued and to be issued under the First Placement, the Second Placement (including the Director Issue) and the Option Placement and the relevant Resolutions (where applicable) approving these issues.

Item	Description	# of Shares	Resolution
1	Issue of 6,800,000 Shares on 12 June 2012 under the First Placement	6,800,000	Resolution 1
2	Issue of up to 40,000,000 Shares under the Second Placement (including Director Issue)	40,000,000	Resolutions 5 and 6
	<b>Total Shares issued/to be issued</b>	<b>46,000,000</b>	

Item	Description	# of Options	Resolution
3	Issue of up to 40,000,000 Options	40,000,000	Resolution 7
	<b>Total Options to be issued</b>	<b>40,000,000</b>	

### 1.10 Pro Forma Balance Sheet

(a) Introduction

This section contains an overview of the financial effects of the proposed acquisition of all the issued shares of SCC by MBK by way of off-market offers, including unaudited pro-forma consolidated statements of financial position as at 31 March 2012 for MBK, SCC and the consolidated MBK (assuming MBK acquires 100% of SCC shares) after successful completion of the offers ("**Combined Group**").

Set out below is the summary of the MBK Pro forma Statement of Financial Position:

Table 1: MBK Pro forma Statement of Financial Position

\$	Pro forma	Other Transaction adjustments	MBK & SCC Consolidated	MBK & SCC Consolidation adjustments	SCC Consolidated	MBK Adjusted	MBK Adjustments	MBK Consolidated
	31-Mar-12	31-Mar-12	31-Mar-12	31-Mar-12	31-Mar-12	31-Mar-12	31-Mar-12	31-Mar-12
		Note 3		Note 2			Note 1	
<b>Current Assets</b>								
Cash	2,540,038	1,369,600	1,170,438	(123,750)	26,419	1,267,769	340,000	927,769
Debtors	861,450	0	861,450		858,950	2,500	0	2,500
Provisions	81,048	0	81,048		80,455	593	0	593
Financial assets	47,500	0	47,500		0	47,500	0	47,500
<b>Total Current Assets</b>	<b>3,530,036</b>	<b>1,369,600</b>	<b>2,160,436</b>	<b>(123,750)</b>	<b>965,824</b>	<b>1,318,362</b>	<b>340,000</b>	<b>978,362</b>
<b>Non-Current Assets</b>								
Mining Tenements & Acquisition Costs	3,673,158	0	3,673,158	1,269,398	1,843,872	559,888	0	559,888
Other	7,038	0	7,038		7,038	0	0	0
<b>Total Non-Current Assets</b>	<b>3,680,196</b>	<b>0</b>	<b>3,680,196</b>	<b>1,269,398</b>	<b>1,850,910</b>	<b>559,888</b>	<b>0</b>	<b>559,888</b>
<b>Total Assets</b>	<b>7,210,232</b>	<b>1,369,600</b>	<b>5,840,632</b>	<b>1,145,648</b>	<b>2,816,734</b>	<b>1,878,250</b>	<b>340,000</b>	<b>1,538,250</b>
<b>Current Liabilities</b>								
Creditors	400,061	0	400,061		344,079	55,982	(570,000)	625,982
Directors' loans	20,053	0	20,053		20,053	0	0	0
Other loans	20,000	0	20,000		20,000	0	0	0
<b>Total current liabilities</b>	<b>440,114</b>	<b>0</b>	<b>440,114</b>	<b>0</b>	<b>384,132</b>	<b>55,982</b>	<b>(570,000)</b>	<b>625,982</b>
<b>Total Liabilities</b>	<b>440,114</b>	<b>0</b>	<b>440,114</b>	<b>0</b>	<b>384,132</b>	<b>55,982</b>	<b>(570,000)</b>	<b>625,982</b>
<b>Net Assets</b>	<b>6,770,118</b>	<b>1,369,600</b>	<b>5,400,518</b>	<b>1,145,648</b>	<b>2,432,602</b>	<b>1,822,268</b>	<b>910,000</b>	<b>912,268</b>
<b>Equity</b>								
Issued Capital & reserves	10,673,391	1,369,600	9,303,791	517,000	3,185,000	5,601,791	887,200	4,714,591
Accumulated profit/ (loss)	(3,903,273)	0	(3,903,273)	628,648	(752,398)	(3,779,523)	22,800	(3,802,323)
<b>Total Share Capital and Reserves</b>	<b>6,770,118</b>	<b>1,369,600</b>	<b>5,400,518</b>	<b>1,145,648</b>	<b>2,432,602</b>	<b>1,822,268</b>	<b>910,000</b>	<b>912,268</b>





- (iii) all MBK Shares issued for non-cash consideration have been valued at 4.8 cents each, being the last closing price on Friday 19 June 2012;
- (iv) the contingent consideration comprising the Milestone Shares has been fair valued on a probability-weighted basis, based on SCC director's estimate of the likelihood of occurrence (i.e. 90%);
- (v) any excess of the deemed acquisition cost over the net assets of SCC acquired has been treated as a cost of acquiring mining tenements and recorded as an addition to that asset;
- (vi) no taxation (including deferred tax) entries have been made; and
- (vii) a refundable amount of \$800,000 owing from a third party following the ending of a proposed transaction. This amount has been recognised as a current receivable. It is understood that there is no dispute as to the fact that the amount is owing that the relevant parties have the resources to repay the face value of the amount. Accordingly, no impairment of the amount has been taken up.

(c) Notes to the Pro Forma Statements of Financial Position

(i) Basis of preparation of Pro forma Statements of Financial Position

To generate each unaudited pro-forma consolidated statement of financial position for the Combined Group as at 31 March 2012 ("Pro forma Statement of Financial Position"), the assumptions noted above have been adopted.

The Pro forma Statements of Financial Position presented are indicative only and presented on an abbreviated basis. MBK has drawn its own conclusions based on the information made available to it. If the factors, circumstances, assumptions or other information should prove to be different to that described, the conclusions may change accordingly. All adjustments have been made in accordance with Australian equivalents to International Financial Reporting Standards.

It is likely that the Pro forma Statements of Financial Position will differ from the actual financial information for the Combined Group.

Each Pro forma Statement of Financial Position has been prepared based on the consolidated Statement of Financial Position as at 31 March 2012 of each of MBK and SCC.

The Proforma Statements of Financial Position do not include all the notes of the type normally included in an annual financial report.

The same accounting policies and methods of computation have been followed in the Pro forma Statement of Financial Position as were applied in the most recent annual financial statements of MBK (as regards MBK information) and SCC (as regards SCC information). We have not attempted to reconcile and conform the accounting policies and methods of computation of the MBK information and the SCC information. Any adjustments made to the underlying information have been made based on the accounting policies and methods of computation of MBK.

No adjustments to the operations of the Combined Group, MBK or SCC statements of financial position have been made or assumed other than as described above.

(ii) Going concern

The Pro forma Statement of Financial Position have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

(iii) Currency

All amounts expressed as “\$” are in Australian currency.

### 1.11 Pro Forma Capital Structure

Item	Description	# of Shares	Resolution
	Shares issued as at the date of this Notice	<b>45,685,001</b>	
1	Issue of 6,800,000 Shares on 12 June 2012 under the First Placement	6,800,000	Resolution 1
2	Approval to issue 11,400,000 shares	11,400,000	Resolution 2
3	Consideration shares to be issued to Scott Creek Coal shareholders	57,125,000	Resolution 4
4	Shares to Noel Halgreen and David Jensen as consideration for their director options in Scott Creek	2,000,000	Resolution 4
5	Issue of up to 40,000,000 Shares under the Second Placement (including Director Issue)	40,000,000	Resolutions 5 and 6
	<b>Total Shares issued/to be issued</b>	<b>117,325,000</b>	
	<b>Total Shares on issue pre Milestone Payment</b>	<b>163,010,001</b>	
	Milestone Payment	20,000,000	
	<b>Total Shares on issue post Milestone Payment</b>	<b>183,010,001</b>	

### 1.12 Geologists Report

Please refer to Annexure C for a Geologists Report prepared by Geological and Management Services Pty Ltd which contains further detailed information on the SCC Tenements.

### 1.13 Solicitors Report

Please refer to Annexure D for a Solicitors Report prepared by Mills Oakley Lawyers which contains further detailed information on the SCC Tenements.

### 1.14 Summary of the benefits to Shareholders 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 3, 4 and 5:

- (a) the Acquisition represents a significant opportunity for the Company to diversify its project base to include coal exploration in the Bowen Basin region;
- (b) the Acquisition represents an opportunity for the Company to increase the scale of its activities, which is likely to increase its valuation and profile and the number and size of the investor pool that may invest in the Company's Shares;
- (c) the Acquisition is for Share consideration only, allowing the Company to retain its existing cash for exploration;

- (d) it is a term of the Acquisition that the Second Placement is completed, ensuring that the Company will have adequate funds to continue to develop its existing projects and the SCC Tenements following Completion;
- (e) coal represents an attractive platform in which to build assets and increase value for Shareholders;
- (f) historically, coal has been considered a sound asset and there has recently been considerable merger and acquisition activity in the coal sector, resulting in increased awareness by investors of the potential value of coal assets and as a result an increased ability to raise funds; and
- (g) coal assets have the ability to generate significant cash flows.

## **2 Resolution 1 – Ratification of prior issue of 6,800,000 Shares**

---

As outlined in section 1 of this Explanatory Statement, under the First Placement the Company issued a total of 6,800,000 Shares on 12 June 2012 at an issue price of \$0.05 per Share raising a total of \$340,000 (before costs).

The Shares in the First Placement were issued to sophisticated and institutional investors utilising the Company's 15% placement capacity under ASX Listing Rule 7.1.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the First Placement.

### **2.2 ASX Listing Rule Requirements**

ASX Listing Rule 7.1 permits a company to issue securities representing no more than 15% of the issued capital of that company in any 12 month period without shareholder approval. The Company issued the Shares the subject of the First Placement within the 15% capacity permitted under ASX Listing Rule 7.1. However, ASX Listing Rule 7.4 allows an issue of securities made without the approval of shareholders to be treated as having been made with approval for the purposes of ASX Listing Rule 7.1 provided the issue did not breach ASX Listing Rule 7.1 and shareholders subsequently approve the issue.

Approval is now sought pursuant to ASX Listing Rule 7.4 to approve the prior issue of the Shares under the First Placement so that the Company retains its capacity to issue up to 15% of its issued capital, if required, in the next 12 months without Shareholder approval.

### **2.3 ASX Listing Rule Disclosure Requirements**

In compliance with the information requirements of ASX Listing Rule 7.5, Shareholders are advised of the following particulars in relation to the First Placement:

- (a) *The number of securities allotted*  
6,800,000 Shares were allotted.
- (b) *The price at which the securities were issued*  
The Shares were issued at an issue price of \$0.05 per Share.
- (c) *The terms of the securities*  
The Shares 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) *Names of the allottees (if known) or basis on which allottees were determined*

The allotment was made to sophisticated and institutional investors who were not related parties or their Associates.

(e) *The use or intended use of the funds raised*

The funds raised by the Company are intended to be used for the general working capital requirements of the Company which may include transaction costs relating to the Acquisition, such as legal, accounting and geologist's fees and payment of the Loan to SCC.

(f) *Voting Exclusion*

A voting exclusion statement forms part of this Notice.

## **2.4 Recommendation of Directors**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

## **3 Resolution 2 – Approval to issue 11,400,000 Shares**

---

### **3.1 Background**

On 25 May 2011, the Company announced that it had acquired an 80% interest in the Spinifex Ridge East project, a copper and iron ore project in Western Australia. The Company paid cash of \$140,000 and issued 9,000,000 Shares as consideration for the project. As a consequence of this transaction, the Company had a residual debt obligation owing to the Spinifex Vendor, in the amount of \$270,000, and to the Consultant in the amount of \$300,000. The Spinifex Vendor and the Consultant have agreed to discharge this debt on the condition that the Company issues 11,400,000 Shares as follows:

- (a) 5,400,000 Shares to the Spinifex Vendor (or its nominee); and
- (b) 6,000,000 Shares to the Consultant (or its nominee).

Resolution 2 seeks Shareholder approval for the allotment and issue of the Spinifex Shares to the Spinifex Vendor and the Consultant.

### **3.2 ASX Listing Rule Requirements**

ASX Listing Rule 7.1 provides, in summary, that a listed company must not, subject to specified exceptions, issue equity securities in any 12 month period which, when aggregated with the equity securities issued by a company during the previous 12 months, will exceed 15% of the total number of fully paid ordinary shares on issue in the company at the beginning of the 12 month period, except with the prior approval of shareholders.

Resolution 2 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of 11,400,000 Shares to the Spinifex Vendor and the Consultant. The effect of such approval is that any such Shares will not be counted as reducing the number of equity securities which the Company can issue without Shareholder approval under the limit imposed by ASX Listing Rule 7.1.

### **3.3 ASX Listing Rule Disclosure Requirements**

In compliance with the information requirements of ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Spinifex Shares:

(a) *The maximum number of securities the entity is to issue*

The maximum number of Shares to be issued is 11,400,000 Shares.

(b) *The date by which the entity will issue the securities*

Subject to Shareholder approval, the Shares will be allotted and issued no later than three months after the date of the Meeting, or such later date as may be approved by the ASX.

(c) *Issue price of securities*

The Shares will be issued at an issue price of \$0.05 per Share.

(d) *Terms of the securities*

The Shares 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.

(e) *Names of the allottees or basis on which allottees were determined*

The Shares will be allotted to the Spinifex Vendor or its nominee and to the Consultant or its nominee. Neither the Spinifex Vendor nor the Consultant are a related party or an Associate of the Company.

(f) *The use or intended use of the funds raised*

No funds will be raised by the issue of the Shares. This issue is in satisfaction of a residual debt obligation arising from the acquisition of the Spinifex Ridge East project.

(g) *The dates of allotment or a statement that allotment will occur progressively*

See paragraph 3.3(b).

(h) *Voting Exclusion*

A voting exclusion statement forms part of this Notice.

### **3.4 Recommendation of Directors**

The Directors unanimously recommend the Shareholders vote in favour of Resolution 2.

## **4 Resolution 3 – Approval to acquire Scott Creek Coal Pty Limited**

---

### **4.1 Background**

Resolution 3 seeks Shareholder approval for a change in the nature or scale of the activities of the Company as a result of the Company proposing to acquire 100% of the SCC Shares.

As outlined in Section 1 of this Explanatory Statement, the Company has entered into the Acquisition Agreements with the SCC Shareholders to purchase the SCC Shares, subject to the satisfaction of the conditions precedent summarised in sections 1.5 and 1.6 above.

A detailed description of the SCC Tenements is outlined in section 1.4 above and in the Solicitor's Report in Annexure D.

### **4.2 ASX Listing Rule Requirements**

ASX Listing Rule 11.1 provides that if an entity proposes to make a significant change to the nature or scale of or its activities it must provide full details to ASX and, if ASX requires, the entity must obtain shareholder approval to undertake the change and must comply with any requirements of ASX in relation to the meeting.

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

The ASX has also indicated to the Company that the change in the nature or scale of the Company's activities as a result of the Acquisition 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. However, the ASX has required that the Company lodge a full form prospectus in respect of the Shares to be issued in connection with Acquisition. The Company intends lodge this prospectus immediately after this EGM has concluded.

Accordingly, the Company is seeking Shareholder approval of Resolution 3 to allow for completion of the Acquisition.

#### **4.3 Directors Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 3.

If Resolution 3 is approved, its implementation will be conditional upon the passing of Resolution 4.

## **5 Resolution 4 – Approval to issue the Consideration Securities**

---

### **5.1 Background**

As outlined in section 1 of this Explanatory Memorandum, in accordance with the terms of the Acquisition Agreements, Resolution 4 seeks Shareholder approval for the issue of the following Shares in connection with the Acquisition:

- (a) 57,125,000 Shares to the vendors of Scott Creek Coal Pty Limited;
- (b) 20,000,000 Milestone Payment Shares to the SCC Majority Shareholder; and
- (c) 1,000,000 Shares to each of Noel Halgreen and David Jensen as consideration for their director options in SCC.

Information regarding the acquisition of the SCC Shares, the SCC Tenements and the terms of Acquisition are set out above.

### **5.2 ASX Listing Rule Requirements**

ASX Listing Rule 7.1 provides, in summary, that a listed company must not, subject to specified exceptions, issue equity securities in any 12 month period which, when aggregated with the equity securities issued by the company during the previous 12 months, will exceed 15% of the total number of fully paid ordinary shares on issue in the company at the beginning of the 12 month period, except with the prior approval of shareholders.

Resolution 4 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of the Consideration Securities. The effect of such approval is that any such Shares will not be counted as reducing the number of equity securities which the Company can issue without Shareholder approval under the limit imposed by ASX Listing Rule 7.1.

### **5.3 ASX Waiver Application**

Under ASX Listing Rule 7.3.2, if shareholder approval is obtained for an issue of shares pursuant to ASX Listing Rule 7.1, those shares must be issued no later than 3 months after the date of the meeting at which shareholder approval was obtained.

Pursuant to ASX Listing Rule 7.3.2, the Consideration Securities the subject of Resolution 4 must be issued within 3 months from the date of the meeting at which shareholder approval was obtained.

The Company has applied to the ASX for a waiver of ASX Listing Rule 7.3.2 to allow the Company to issue the Milestone Payment Shares within 2 years of the EGM,

rather than the 3 months prescribed under ASX Listing Rule 7.3.2. The ASX has indicated to the Company that this waiver will be granted.

As a result, the effect of Resolution 4 will be to allow the Directors to issue the Consideration Shares within 3 months of shareholder approval being obtained, other than the Milestone Payment Shares, which can be issued upon achievement of the relevant Milestone, provided that the Milestone is achieved within 2 years of shareholder approval.

#### **5.4 ASX Listing Rule Disclosure Requirements**

In compliance with the information requirements of ASX Listing Rule 7.3, the following information is provided in relation to the Consideration Securities:

- (a) *The maximum number of securities the entity is to issue*  
The maximum number of Shares to be issued is 79,125,000.
- (b) *The date by which the entity will issue the securities*  
Subject to Shareholder approval, other than the Milestone Payment Shares, the Shares will be allotted and issued no later than three months after the date of the Meeting, or such later date as may be approved by the ASX.  
The Milestone Payment Shares will be allotted and issued no later than two years after the date of the Meeting (subject to the grant of a waiver of ASX Listing Rule 7.3.2), or such later date as may be approved by the ASX.
- (c) *Issue price of securities*  
The Shares will be issued as consideration to SCC Shareholders pursuant to the terms of the Acquisition Agreements.
- (d) *Terms of the securities*  
The Shares 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.
- (e) *Names of the allottees or basis on which allottees were determined*  
The Shares will be allotted to the vendors of the SCC Shares as set out in the Acquisition Agreements. None of these parties are related parties or Associates of the Company.
- (f) *The use or intended use of the funds raised*  
No funds are to be raised by the issue of the Shares.
- (g) *The dates of allotment or a statement that allotment will occur progressively*  
See paragraph 5.3(b).
- (h) *Voting Exclusion*  
A voting exclusion statement forms part of this Notice.

#### **5.5 Requirement to lodge a Prospectus**

As discussed in section 4.2 of this Explanatory Memorandum, the ASX has required that the Company lodge a Prospectus in respect of the Shares to be issued in connection with the Acquisition. The Consideration Securities are a term of the Acquisition, and will be issued under this Prospectus. The Company intends to lodge this Prospectus with the ASX immediately following the EGM.

#### **5.6 Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 4.

If Resolution 4 is approved, its implementation will be conditional on the passing of Resolution 3.

## **6 Resolution 5 – Approval of Placement of 40,000,000 Shares**

---

### **6.1 Background**

As outlined in section 1.9 of this Explanatory Statement, Resolution 5 seeks Shareholder approval to issue and allot up to 40,000,000 Shares to institutional and sophisticated investors at an issue price of not less than 80% of the Volume Weighted Average Price per Share to raise approximately \$1,600,000 (before costs and assuming a price of 4 cents per share).

Resolution 5 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the Second Placement.

### **6.2 ASX Listing Rule Requirements**

ASX Listing Rule 7.1 provides, in summary, that a listed company must not, subject to specified exceptions, issue equity securities in any 12 month period which, when aggregated with the equity securities issued by a company during the previous 12 months, will exceed 15% of the total number of fully paid ordinary shares on issue in the company at the beginning of the 12 month period, except with the prior approval of shareholders.

Resolution 5 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of up to 40,000,000 Shares. The effect of such approval is that any such Shares will not be counted as reducing the number of equity securities which the Company can issue without Shareholder approval under the limit imposed by ASX Listing Rule 7.1.

### **6.3 Requirement to lodge a Prospectus**

As discussed in section 4.2 and 5.5 of this Explanatory Memorandum, the ASX has required that the Company lodge a full form Prospectus in respect of the Shares to be issued in connection with the Acquisition. The Second Placement is a condition precedent to the Acquisition and the Shares to be issued as part of the Second Placement will be issued under this Prospectus. The Company intends to lodge this Prospectus immediately following the EGM.

### **6.4 ASX Listing Rule Disclosure Requirements**

In compliance with the information requirements of ASX Listing Rule 7.3, the following information is provided in relation to the Second Placement:

(a) *The maximum number of securities the entity is to issue*

The maximum number of Shares to be issued is 40,000,000 Shares.

(b) *The date by which the entity will issue the securities*

Subject to Shareholder approval, the Shares will be allotted and issued no later than three months after the date of the Meeting, or such later date as may be approved by the ASX.

(c) *Issue price of securities*

The Shares will be issued at an issue price of not less than 80% of the Volume Weighted Average Price per share.

(d) *Terms of the securities*

The Shares 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.

(e) *Names of the allottees or basis on which allottees were determined*

The names of the allottees of the Shares are currently unknown and will be chosen at the discretion of the Directors, but will not be related parties or

their Associates. They will be identified on the basis of the Directors' view of their ability to participate in the Second Placement and any added value they are able to bring to the Company.

(f) *The use or intended use of the funds raised*

The funds to be raised by the Company are intended to be used for the following purposes:

- (i) exploration expenditure in relation to SCC's projects;
- (ii) general working capital requirements of the Company;
- (iii) consideration of new opportunities; and
- (iv) exploration of existing assets.

(g) *The dates of allotment or a statement that allotment will occur progressively*

See paragraph 6.3(b).

(h) *Voting Exclusion*

A voting exclusion statement forms part of this Notice.

## **6.5 Recommendation of Directors**

The Directors unanimously recommend the Shareholders vote in favour of Resolution 5.

## **7 Resolution 6 – Approval for Directors to participate in the share issue up to 1,500,000 Shares**

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### **7.1 Background**

As outlined in sections 1.9 and 6 of this Explanatory Statement, under the Second Placement the Company is seeking to raise approximately \$1,600,000 (before costs and assuming a price of 4 cents per share) through the issue of up to 40,000,000 Shares at an issue price of not less than 80% of the Volume Weighted Average Price per Share pursuant to a Prospectus. Resolution 6 seeks Shareholder approval for the Directors to participate in the Second Placement by subscribing for up to 1,500,000 Shares.

### **7.2 ASX Listing Rule Disclosure Requirements**

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a Company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be sought. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. As the Directors are a related parties of the Company, Shareholder approval is required under Listing Rule 10.11 for the issue of the Shares as part of the Second Placement to Directors.

In accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Director Issue:

(a) *Name of the person*

The Directors of the Company – Mr Vincent Fayad, Mr Anthony Ho and Mr Michael Sutherland.

(b) *Maximum number of securities the entity is to issue*

The maximum number of Shares to be issued is 1,500,000.

(c) *Date by which the entity will issue the securities*

The Shares will be issued no later than 1 month after the date of the Meeting.

(d) *Issue price of securities*

The Shares will be issued at a price of not less than 80% of the Volume Weighted Average Price per Share and on the same terms as other investors.

(e) *Terms of the securities*

The Shares 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.

(f) *The use or intended use of the funds raised*

The funds to be raised by the Company from the Placement are intended to be used for the following purposes:

- (i) exploration expenditure in relation to SCC's projects;
- (ii) general working capital requirements of the Company;
- (iii) consideration of new opportunities; and
- (iv) exploration of existing assets.

(g) *The dates of allotment or a statement that allotment will occur progressively*

See paragraph 7.2(c).

(h) *Voting Exclusion*

A voting exclusion statement forms part of this Notice.

## **8 Resolution 7 – Approval to issue 40,000,000 Options**

### **8.1 Background**

Resolution 7 seeks Shareholder approval for the allotment and issue of up to 40,000,000 Options to sophisticated and institutional investors.

### **8.2 ASX Listing Rule Disclosure Requirements**

ASX Listing Rule 7.1 provides, in summary, that a listed company must not, subject to specified exceptions, issue equity securities in any 12 month period which, when aggregated with the equity securities issued by a company during the previous 12 months, will exceed 15% of the total number of fully paid ordinary shares on issue in the company at the beginning of the 12 month period, except with the prior approval of shareholders.

Resolution 7 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of a total of up to 40,000,000 Options as described above. The effect of such approval is that those Options will not be counted as reducing the number of equity securities which the Company can issue without Shareholder approval under the limit imposed by ASX Listing Rule 7.1.

### **8.3 Information Required by ASX Listing Rule 7.3**

In compliance with the information requirements of ASX Listing Rule 7.3, the following information is provided in relation to the Option Placement:

(a) *The maximum number of securities the entity is to issue*

The maximum number of securities to be issued is 40,000,000 Options and the maximum number of Shares to be issued if the 40,000,000 Options all become exercisable and are exercised is 40,000,000.

(b) *The date by which the entity will issue the securities*

The Options will be issued no later than three months after the date of the Meeting, or such later date as may be approved by ASX.

(c) *The issue price of the securities*

The allottees will pay \$0.0001 per Option, raising a total of \$4,000 (before costs).

(d) *The names of the allottees (if known) or the basis upon which the allottees will be identified or selected*

The names of the allottees of the Options are currently unknown and will be chosen at the discretion of the Directors, but will not be related parties or their Associates. They will be identified on the basis of the Directors' view of their ability to participate in the Option Placement and any added value they are able to bring to the Company.

(e) *The terms of the securities*

Subject to the ASX Listing Rules, it is the Company's intention to apply to the ASX for the Options to be listed on the ASX as soon as practicable following the issue of those Options. The Options will have an exercise price of \$0.01 above the Placement Price and will expire on 30 December 2015. The Options will be issued on the terms and conditions set out in Annexure B.

(f) *The intended use of the funds raised*

Up to \$4,000 (before costs) will be raised from the issue of the Options which will be used for general working capital. If all of the Options become exercisable and are exercised, any additional funding raised will be used for working capital.

(g) *The dates of allotment or a statement that allotment will occur progressively*

The Options will be allotted progressively.

(h) *Voting Exclusion*

A voting exclusion statement forms part of this Notice.

#### **8.4 Recommendation of Directors**

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

## **9 Resolution 8 – Election of Director – Noel Halgreen**

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### **9.1 Background**

As outlined in section 1.5 of this Explanatory Memorandum, the Company has agreed to the appointment of a Director nominated by SCC. Accordingly, Mr Noel Halgreen has been elected as a Director, effective on and from Completion.

Resolution 8 seeks the election of Mr Noel Halgreen as a director of the Company with effect from Completion.

### **9.2 Constitution Requirements**

Clause 11.2(a) of the Constitution provides for the Company to elect a person as a director of the Company by resolution passed at a general meeting.

No person other than a Director seeking re-election shall be eligible for election to the office of Director at any general meeting unless the person or some Shareholder intending to propose his or her nomination has, at least 15 Business Days before the meeting, left at the registered office of the Company a notice in writing duly signed by

the nominee giving his or her consent to the nomination and signifying his or her candidature for the office or the intention of such Shareholder to propose him or her.

A copy of the notice of candidature for Noel Halgreen is enclosed at Annexure E.

Resolution 8 seeks the election of Noel Halgreen as a director of the Company with effect from Completion.

### **9.3 Background and Qualifications**

Noel Halgreen is a qualified engineer with over 30 years diverse experience in the resources industry, including advising on acquisitions, divestments, capital raisings, project finance, commercial feasibility and strategic planning. Mr Halgreen is currently Chairman of Bligh Resources Ltd, an ASX listed Manganese and Gold explorer. Noel was previously employed by BHP Billiton Ltd in the United States as Vice President – Coal and Billiton PLC as Executive Director – Coal prior to the merger between BHP and Billiton. Noel has also worked as an executive director for Trans Natal Coal Corporation and COO of Sasol Coal in South Africa.

## **10 Resolution 9 – Change of Company Name**

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Section 157(1) 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 Shareholder approval to adopt ‘Scott Creek Coal Limited’ as the new name for the Company.

If Resolution 9 is passed, the Company will lodge a copy of the special resolution with ASIC following the Meeting in order to effect the change and the change of name will take effect when ASIC alters the details of the Company’s registration.

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

## **11 Glossary**

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**Acquisition** means the acquisition by the Company of 100% of the SCC Shares.

**Acquisition Agreements** means the:

- (a) Majority Shareholder Acquisition Agreement; and
- (b) Minority Shareholder Acquisition Agreements.

**AEST** means Australian Eastern Standard Time, in Sydney, New South Wales.

**AIFRS** means Australian equivalence to International Financial Reporting Standards.

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

**ASX Listing Rules** means the listing rules of the ASX.

**Board** means board of directors of the Company.

**Business Day** means a day (not being a Saturday or Sunday) on which Australian banks (as defined in section 9 of the Corporations Act) are open for general banking business in the capital city of the State.

**Combined Group** means the consolidation of MBK and SCC.

**Company** or **MBK** means Metal Bank Limited (ACN 127 297 170).

**Completion** means completion of the Acquisition in accordance with the terms of the Acquisition Agreements.

**Consideration Securities** means:

- (a) 57,125,000 Shares to be issued to the SCC Shareholders;
- (b) 20,000,000 Milestone Payment Shares to be issued to the SCC Majority Shareholder; and
- (c) 1,000,000 Shares to be issued to each of Noel Halgreen and David Jensen.

**Constitution** means the constitution of the Company.

**Consultant** means Europe Resources Limited.

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

**Directors** means the directors of the Company.

**Director Issue** means the issue of up to 1,000,000 Shares to Directors under the Second Placement.

**EGM** means the extraordinary general meeting of the Company's Shareholders to be held by the Company on 17 August 2012 at which the Company will seek Shareholder approval and ratification (as applicable) for the Resolutions summarised in the Notice.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**First Placement** means the issue of 6,800,000 Shares to sophisticated and institutional investors on 12 June 2012 at an issue price of \$0.05 to raise \$340000 (before costs).

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

**Geologist's Report** means the geologist's report prepared by Geological and Management Services Pty Ltd in relation to the SCC Tenements and set out in Annexure C.

**Loan** means \$300,000 facility provide to SCC on the terms and conditions outlined in 1.8.

**Majority Shareholder** means the SCC Shareholder holding approximately 52% of the SCC Shares.

**Majority Shareholder Acquisition Agreement** means the agreement dated 8 May 2012 between the Company and the Majority Shareholder of SCC for the sale of the SCC Shares held by the Majority Shareholder.

**Majority Shareholder Consideration Securities** means:

- (a) 20,000,000 Shares to be issued on completion of the Acquisition; and
- (b) 20,000,000 Milestone Payment Shares to be issued on satisfaction of a Milestone.

**Milestone** means any of the milestones set out in Annexure A of the Majority Shareholder Acquisition Agreement.

**Milestone Payment Shares** means the Shares to be issued to the Majority Shareholder on satisfaction of a Milestone.

**Minority Shareholder Acquisition Agreements** means the agreements dated on or about 24 May 2012 between the Company and the Minority Shareholders of SCC for the sale of the SCC Shares held by each accepting Minority Shareholder.

**Minority Shareholder Consideration Securities** means the issue of two Shares for every one SCC Share held by each accepting Minority Shareholder.

**Minority Shareholders** means the SCC Shareholders collectively holding approximately 48% of the SCC Shares.

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

**Option** means an option in the capital of the Company on the terms and conditions set out in Annexure B.

**Option Placement** means the issue of up to 40,000,000 Options.

**Placement Price** means the issue price of Shares issued under the Second Placement.

**Prescribed Occurrence** means the events set out in section 652C of the Corporations Act.

**Proforma Statement of Financial Position** means the statement of financial position for MBK and SCC assuming a number of transactions has taken place as at 31 March 2012.

**Prospectus** means a full form document setting out full details of the Company matters, including all of its assets including those associated with the Acquisition, prospects, financial position and risks.

**Proxy Form** means the proxy form accompanying the Notice of Meeting.

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

**SCC** means Scott Creek Coal Pty Limited (ACN 150 539 870).

**SCC Director Consideration Securities** means the issue of 1,000,000 Shares to each of Noel Halgreen and David Jensen in consideration for the 1,000,000 SCC director options held by each of them.

**SCC Shareholders** means holders of SCC Shares.

**SCC Shares** means the total issued share capital of SCC.

**SCC Tenements** means the 100% interest held by SCC in each of the following tenements in Queensland:

- (a) EPC 2235;
- (b) EPC 2381;
- (c) EPC 2636;
- (d) EPC 2641; and
- (e) EPC 2518.

**Second Placement** means the issue of up to 40,000,000 Shares at an issue price of not less than 80% of the Volume Weighted Average Price to raise approximately \$1,600,000 (before costs and assuming a price of 4 cents per share).

**Share** or **Shares** or **Shareholding** means fully paid ordinary share or shares in the capital of the Company.

**Shareholder** means a holder of a Share.

**Solicitor's Report** means the solicitor's report prepared by Mills Oakley Lawyers in relation to the SCC Tenements and set out in Annexure D.

**Spinifex Shares** means 11,400,000 Shares to be issued to the Spinifex Vendor and the Consultant in satisfaction of a residual debt obligation arising from the acquisition of the Spinifex Ridge East project.

**Spinifex Vendor** means Australian Royalties Corporation Pty Limited.

**State** means the State of New South Wales in the Commonwealth of Australia.

**Volume Weighted Average Price means** where the average is calculated, in accordance with ASX Listing Rule 7.3.3, over the last five days on which sales in Shares were recorded before the day on which the issue was made or, if there was a prospectus, product disclosure statement or offer information statement relating to the issue, over the last 5 days on which sales in the Shares were recorded before the date the prospectus, product disclosure statement or offer information statement is signed.

## Annexure A Milestones

The Milestones for the issue of the Milestone Payment Shares are the occurrence of any of the following:

1. the granting of exploration licences or permits the subject of EPC 2636 and EPC 2641 (**Applications**) to SCC or MBK;
2. the granting of similar or equivalent licences or permits over the land the subject of the Applications to SCC or MBK;
3. prior to the granting of exploration licences (or equivalent permits) the subject of the Applications, MBK:
  - (a) transfers;
  - (b) grants an option for the transfer of;
  - (c) grants any third party rights,in respect of the Applications or some or all of the issued share capital of SCC;
4. if determined by an expert (in accordance with the terms of the Majority Shareholder Acquisition Agreement) that MBK has failed to comply with obligations to:
  - (a) use best endeavours to pursue a grant of the Applications with DEEDI (or any other applicable governmental agency responsible for granting mining tenements or licences in Queensland);
  - (b) pay all fees and pursue all processes required for the tenements or licences to be granted from these Applications, including employing the services of Environmental and Licensing Professionals Pty Limited to manage the Applications;
  - (c) not do anything to frustrate the grant of the tenements or licences from these Applications; and
  - (d) not withdraw the Applications; and
5. a Capped Milestone.

For the purposes of this Annexure A, a Capped Milestone means each of:

1. at any time after a Shareholder, or a group of associated Shareholders, becomes entitled to sufficient fully paid ordinary shares in MBK to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or majority of the directors of MBK;
2. at any time after, on an application under section 411 of the Corporations Act, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of MBK or its amalgamation with any other company;
3. if a takeover bid occurs in respect of MBK, during the Bid Period (as defined in section 9 of the Corporations Act), provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on MBK in relation to that takeover bid, the Bid Period will be deemed to have commenced at the date of that announcement,

In the event a Capped Milestone occurs, such number of Milestone Payment Shares will be issued are as equal to 9.9% of the total issued share capital of MBK at the time of the Capped Milestone occurring. In the event that any further Milestone Payment Shares remain unissued, they are to be issued on:

- (a) the occurrence of a Milestone set out in paragraphs 1-4 above;
- (b) the subsequent occurrence of another Capped Milestone; or
- (c) or as otherwise determined by the ASX.

## Annexure B Terms and Conditions of Options

The terms and conditions of the Options will be as follows:

1. each Option entitles the holder to acquire one (1) Share;
2. the Options are exercisable at any time from the Option Vesting Date until 5:00pm AEST on 30 December 2015 (**Option Exercise Date**) by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of MBK or to the share registry of MBK;
3. the Options vest on the date of Grant (**Option Vesting Date**);
4. the Option exercise price is \$0.01 above the Placement Price per Option;
5. on and from the relevant Option Vesting Date, the Options will be freely transferable in whole or in part at any time prior to expiry;
6. Shares issued on the exercise of an Option will be issued not more than fourteen days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued ordinary shares of the Company in all respects. Official Quotation of those Shares on the ASX will be sought;
7. Option holders will be permitted to participate in new issues of securities on the prior exercise of Options in which case the Option holders shall be afforded the period of at least nine business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise their Options;
8. in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to the reconstruction of capital at the time of the reconstruction;
9. if there is a bonus issue to Shareholders, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue;
10. in the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercisable price of the Option may be reduced in accordance with ASX Listing Rule 6.22;
11. reminder notices will be forwarded to the Option holders prior to the expiry of the Options. Options not exercised before the expiry of the Option Exercise Period will lapse;
12. the Options will be recorded on the Company's register of Option holders maintained at the share registry. The register will be open for inspection by an Option holder free of charge. Shares to be allotted on exercise of Options will be recorded on the Company's share register;
13. the Options may with the approval of the Board and the ASX, be quoted on the ASX;
14. the Option holder, if appearing on the Company's register of Option holders at the relevant date, will be entitled to receive and will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings; and

15. notwithstanding paragraph 3, all Options may be exercised prior to the relevant Option Vesting Date:
- (a) in relation to a takeover bid in respect of the Shares, during the Bid Period, as defined in section 9 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the Bid Period will be deemed to have commenced at the date of that announcement;
  - (b) at any time after a Shareholder, or a group of associated Shareholders, becomes entitled to sufficient Shares to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or majority of the Directors; and
  - (c) at any time after, on an application under section 411 of the Corporations Act, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company, or its amalgamation with any other company.

## **Annexure C Geologist's Report**



**Geological and Management Services Pty Ltd**

ABN 47 001 256 248

**INDEPENDENT GEOLOGISTS REPORT**

**COAL EXPLORATION AREAS IN THE HELD BY SCOTT CREEK COAL,  
BOWEN BASIN, QUEENSLAND**

**FOR**

**METALBANK LIMITED**

**BY**

**I.D. BLAYDEN**

**Job No 1123 July, 2012**

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## **SUMMARY**

Geological & Management Services Pty Ltd (GMS) has undertaken an Independent Geological Report on a portfolio of four Exploration Permits for Coal (EPC's) held by Scott Creek Coal Pty Ltd (Scott Creek) on behalf of Metalbank Limited (Metalbank). The Report is part a Prospectus to be issued by Metalbank in relation to a transaction whereby Metalbank is to acquire 100% of the issued capital of Scott Creek.

The permits are located in the Bowen Basin. Two have been granted, and two are in the application stage.

A ranking system has been applied to each Project to indicate the considered likelihood of identifying a potentially mineable resource (See table below)

### **Project Rating**

<b>Permit</b>	<b>Rating</b>
EPC 2381	High
EPC 2235	Moderate
EPC 2636	Moderate
EPC 2641	Moderate

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# INDEPENDENT GEOLOGISTS REPORT FOR METALBANK LIMITED COAL EXPLORATION AREAS IN THE BOWEN BASIN QUEENSLAND

## 1. Introduction

Mr Vince Fayad, Chairman of Metal Bank Limited (Metalbank) has requested Geological and Management Services Pty Ltd (GMS) to undertake a review of exploration areas held by Scott Creek Coal Pty Ltd (Scott Creek). This report has been prepared in the form of an Independent Geological Report for inclusion in a Prospectus to be issued by Metalbank on or about (?) in relation to a transaction whereby Metalbank is to acquire 100% of the issued capital of Scott Creek .

### 1.1. Prospectivity Ranking

A ranking has been applied to each of the permit in terms of relative prospectivity (Table 1) as determined by a review of the tectonic setting, geology and exploration history.

**Table 1. Permit Summary**

Permit	Status	Date Lodged	Date Granted	Date Expires	Holder	Sub-blocks
EPC 2381	G	04-MAR-2011	14 Dec 2011	13 Dec 2014	EGH	2
EPC 2235	G	04-OCT-2010	28-FEB-2011	27-FEB-2014		1
EPC 2636	PA	01-JUL-2011			SCC	4
EPC 2641	PA	01-JUL-2011				4
EPC 2518	CA	03 May 2011			EGH	3

#### Application Status

G -Granted

PA – Priority Applicant

CA- Competing Application

#### License Applicant or Holder

EGH – Eastern Gas Holdings Pty Ltd

SCC – Scott Creek Coal Pty Limited

**Table 2. Project Rating**

Permit	Rating
EPC 2381	High
EPC 2235	Moderate
EPC 2636	Moderate
EPC 2641	Moderate

## 2. Methodology

No exploration has been undertaken by Scott Creek or the initial permit applicants. The two strategies adopted to assess the potential of each of the areas were as follows:

1. Access the QDEX website and compile a map showing the regional distribution of the main coal bearing formations in relation to the permits under review (Maps attached).
2. Undertake a literature search, also through QDEX, to establish what exploration had been carried out in each of the permits.

All statements as to exploration targets of Scott Creek and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to-date to define a coal resource in any area and identification of a resource will be totally dependent on the outcome of further exploration.

### 3. Permits

Four individual permits have been considered in this assessment (Table 1, Figure 1). Of the four permits two have been granted and two are in the process of being granted. It should be noted that EPC 2381, though comprising 2 blocks, the southern half overlaps with overlaps ML 70126 held by BHP as part of Norwich Park Lease portfolio (Figure 2). Also, the eastern half of EPC 2235 overlaps with ML70313 (figure 4) which forms part of the Millennium Mine lease portfolio. A further application (EPC 2518) is a competing application against BHP and Rio Tinto. Scott Creek believes the company has little likelihood of success with this application and it is not considered as part of this assessment (Table 1).

**Table 3. Stratigraphy of the Bowen Basin**

Age	Bowen Basin Regions				Coal Group
	North	Central	South-West	South-East	
Triassic	Clematis Sandstone				
	Rewan Formation				
Permian	Rangal Coal Measures		Bandanna Formation	Baralaba Coal Measures	Group 4
	Fort Cooper Coal Measures	Burngrove Formation	Black Alley Shale	Gyanda Formation	Group 3A
		Fair Hill Formation			
	Moranbah Coal Measures	MacMillan Formation		Flat Top Formation	Group 3
		German Creek Coal Measures	Crocker Formation		
	Blenheim Formation	Maria Formation	Ingelara Formation	Barfield Formation	
		Freitag Formation			
	Gebbie Formation	Back Creek Group	Aldebaran Sandstone		Group 2
	Collinsville Coal Measures	Blair Athol Coal Measures			
	Tiverton Formation	Back Ck. Group			
		Reids Dome Beds		Group 1	

Mineable coal bearing formation
Thin or low quality coal bearing formation
Non coal bearing

### 4. Geological Setting Bowen Basin

The Bowen Basin is the premier coal producing area in Australia both in terms of the quantity and quality of coal produced. There are 34 operating mines producing over 100Mt

of coal annually. The Bowen Basin is over 500 km in length and up to 150 km wide and contains up to 5 separate coal bearing formations, all of Permian age, of which 4 have been mined to-date (Table 3). Other formations are of lower quality coal and up to now there has been limited exploration focus on these formations. However, given the few exploration opportunities currently available in the basin there is now a strong exploration focus on the Burngrove-Fair Hill Formations as these can contain coal with coking properties..

All the principal coal bearing formations in the Basin are of Permian Age and Table 2 lists the major stratigraphic intervals recognised throughout the basin with those units known to contain coal beds highlighted. The Basin is divided into a series of seven Tectonic Elements (Figure 1) which reflect areas of differing depositional and deformational history. Recognition of these elements is important in assessing the likely rank and therefore potential use for the coal.

## **5. EPC 2381 (Figures 2 & 3)**

### **5.1. Location and Access**

The permit is located immediately to the west of the Norwich Park Mine and the area is traversed by the Middlemount Road and is adjacent to the main Railway to Mackay. The topography is flat to gently undulating and appears to largely retain much of the natural vegetation of open forest.

### **5.2. Geological Setting**

The principal coal bearing sequences in the Norwich Park area are the Moranbah Coal Measures which split towards the south into two formations, the German Creek Formation and the overlying Macmillan Formation. These strata strike in a northerly direction and maintain gentle dip to the east. The sequences are of Upper Permian age.

The German Creek Formation underlies virtually all of EPC 2381 but the sequence does not outcrop due to a surficial veneer of much younger semi consolidated sediments and unconsolidated sands some tens of metres thick.

Underlying the German Creek Formation is the Blenheim Sub-group which is a marine sequence generally devoid of coal.

#### **5.2.1. Coal Geology**

There are a number of coal seams in the German Creek Coal Measures with the principal seam being the Harrow Creek Seam. This seam is well developed and laterally persistent. Underlying this is the Dysart Seam which tends to be somewhat thinner (<3m) and variable in development along strike (see attached seam correlation diagram) (Figure 3).

There is evidence the Dysart and possibly the Harrow Creek are affected by igneous intrusions down dip to the east of the open cut mining areas which can either totally destroy the coal or at a minimum, destroy the coking properties.

Given that only the lower portion the Coal Measure sequence sub-crops in the area it is possible that the Dysart Seam may be developed in the area although there are no recorded drill holes either to substantiate or refute this assumption

A programme of deep drilling was carried out by the Queensland Geological Survey (QGS) over the period 1973-75 (Record 1980/50 CR 41379). This programme comprised a series 15 deep cored holes located down dip to the east of the mining areas between Peak Downs and Norwich Park.

For the purposes of this review the key holes are CC38, the southernmost hole and CC 67, the next hole to the north (see right hand side Figure 3). Both of these holes penetrated to the Dysart Seam and indicated that it was about 3m thick and laterally continuous in the Norwich Park area. However there were a number of intrusions intersected in CC 38, including the top of the Dysart Seam

Analyses of the Dysart Seam indicated that a low ash product (<10%) is likely with a >85% yield at floats 1.6. However the coal was extremely low in volatile matter (12%) and had virtually no swell (1/2). These latter parameters are probably the result of intrusive activity.

It must be emphasised that boreholes would be intersecting the coal several hundred meters, possibly up to 1km down dip to the east of where the seam is likely to sub-crop and whether the seam will be affected by the intrusion at the sub-crop cannot be stated with certainty.

### **5.3. Previous Exploration**

Although the area has been held by Utah (EPC 6) and most recently by East Energy Resources Limited (EPC 1066) no drilling appears to have been carried out in EPC 2381.

### **5.4. Exploration Potential**

Although there is no drilling in the area it is believed from the regional data that at least one seam, the Dysart Seam could exist in EPC 2381. How far to the west of the eastern boundaries of these permits the seam will extend cannot be ascertained with any certainty as there is insufficient data.

The coal is likely to be about 3m in thickness and to have a low ash content but may be affected in part by intrusive activity. If unaffected it is likely to be a prime coking coal, however if partially affected as in CC 67 the coal would be suitable as a low volatile PCI product. If it can be established that the Dysart Seam does sub-crop over a significant area of EPC 2381 then it is possible a significant resource may be identified.

## **6. EPC 2235 (Figure 4)**

### **6.1. Location and Access**

EPC 2235 comprises a single block adjacent to and west of the Millennium Mine and north of the Poitrel Mine. It is 25km east of Moranbah and about 15km west of Coppabella. The peak downs Highway is three km to the north and the topography is flat and open. Most the native vegetation has been cleared for grazing.

### **6.2. Geological setting**

The area occurs in the axis of a north westerly trending synclinal structure which contains sub-cropping Rewan Formation of Triassic age. The Rewan directly overlies the Rangal Coal Measures, the uppermost coal bearing formation in the Bowen Basin which occurs at a depth of around 135m. Underlying the Rangal Coal Measures, which are about 100m thick are the Fort Cooper Coal Measures.

The strata are known to be affected by a number of thrust faults which, at the Millennium Mine, serve to provide repetition of the sequence near sub-crop

#### **6.2.1. Coal Geology**

Three seams are recognised in the Rangal coal Measures referred to in descending order as the Leichhardt, Millennium and Vermont. At Millennium the Leichhardt is 4-5m thick with ash content of 15% to 25%. The Millennium seam is generally around

0.5m thick whilst the underlying Vermont Seam is 2m to 2.5m thick. These seams produce a low ash coking and PCI coal.

The Girrah Seam is the uppermost seam in the Fort Cooper Coal Measures. It may be up to several metres thick but is characterised by numerous stone bands and is not considered economic.

### **6.3. Previous Exploration**

The area was held by Thiess under EPC 3 and appears to have been relinquished in 1987. A review of the exploration carried out by Thiess in the area of EPC 2235 has yet to be undertaken.

Millennium Coal Pty Ltd held the area under EPC 728 until it was relinquished in 2009. Two open holes were drilled, MW018 and MW020, which intersected several thin coals including what is believed to be the Leichhardt seam at a depth of 135m to 140m. The Girrah seam was also recognised in the drilling.

### **6.4. Exploration Potential**

The drilling to date is not encouraging however only a small proportion of the area was explored and it is not known to what extent the seam thinning was due to the effects of faulting rather than lateral deterioration. Further exploration is warranted to the east to fully evaluate the seam development over the area. Should the seam be shown to improve in thickness and quality to the east there is the potential for a coking coal/PCI coal resource at depths amenable to underground mining.

## **7. EPC 2641 and 2636 (competing) (Figure 5)**

### **7.1. Location and Access**

The permits are located approximately 25 km east of peak downs and about 30 km south of the Peak Downs Highway and Coppabella is 25km to the north. The vegetation has been largely cleared and the topography is flat apart from the prominent peak of Mount Coxendean, formed by an inlier of Triassic Clematis sandstone.

### **7.2. Geological Setting**

Structurally the areas are situated in the centre of the 'Coxendean Syncline, a regional sub-structure of the Nebo Synclinorium in the northern part of the Bowen Basin.

The sequence in the area comprises a localised occurrence of Clematis Sandstone, underlain by the Rewan Formation, both of Triassic age. Underlying the Rewan is the Rangal Coal Measures which is the principal exploration target in the area. The sequence is 100m to 140m thick and possibly contains two principal seams, the Leichhardt and Vermont.

#### **7.2.1. Coal Geology**

There are no data on the nature of the seams in the Permit areas but at Olive Downs, to the west the seams are about 4.5m and 3.7m respectively in thickness, relatively low in ash con( $\pm 15\%$ ) and of high rank (1.2-1.5% vitrinite reflectance). The coal is most suitable as a PCI coal.

### **7.3. Previous Exploration**

The area was held by Utah under EPC 6 until 1966 but as far as is known no drilling was carried out in the current permit areas. White Industries held some part of the area under EPC 436 but exploration was focussed on sub cropping Moranbah coal Measures to the east and no exploration was carried out in the current areas,

EPC2636 and EPC 2641 formed part of and were subsequently relinquished from EPC 952 held by Vale. One hole, MC005 was drilled in the eastern part of EPC 2641 to a depth of 318m but did not intersect any coal.

### **7.4. Exploration Potential**

It is believed the area is prospective for coal in the Leichhardt and Vermont seams potentially mineable by underground methods, How deep the coal is likely to be has yet to be established but would be at least 350m as indicated by the only drill hole in the area and may be up to 500m. The coal will most likely be of moderate ash, high rank with PCI coal the most likely product.

## **8. Declaration**

### **8.1. Qualifications and Experience**

This Report has been prepared by Dr I.D. Blayden, Principal Consultant for Geological and Management Services Pty Ltd. GMS has been operating since 1984 and Dr Blayden has had over 40 years experience in the Australian Mining Industry, particularly in exploration, prospect evaluation, independent audits and the preparation of independent expert reports and is Competent Person for coal as defined in the JORC Code (2004)

His principle qualifications are is BSc (Hons) from the University of NSW and PhD from Newcastle University, Member – The Australasian Institute of Mining & Metallurgy, Chartered Professional Geology, Member – Australian Institute of Geoscientists and Member – Geological Society of Australia.

### **8.2. Independence**

Neither I.D. Blayden nor GMS have a direct or indirect financial interest in, or association with, Metalbank or Scott Creek Coal, the properties and tenements reviewed in this report, nor the outcome of any offer of securities extended by Metalbank or Scott creek Coal, apart from the standard contractual arrangements for the preparation of this report and other previous independent consulting work. In preparing this report, GMS has been paid a fee for time expended based on our standard daily rates. .

### **8.3. Limitations**

The views expressed in this independent Report are solely those of Geological and Management Services Pty Ltd and Dr I.D. Blayden unless specifically identified within the report as those of other parties.

**8.4. Consents**

Geological and Management Services was only commissioned to prepare and has only authorised issue of this independent Report on the Scott Creek exploration tenements specified in the Independent Report. It has not been involved in the preparation of, or authorised issue of, any other document in which this Independent Report may be included.

For and on behalf of

Geological and Management Services Pty Ltd

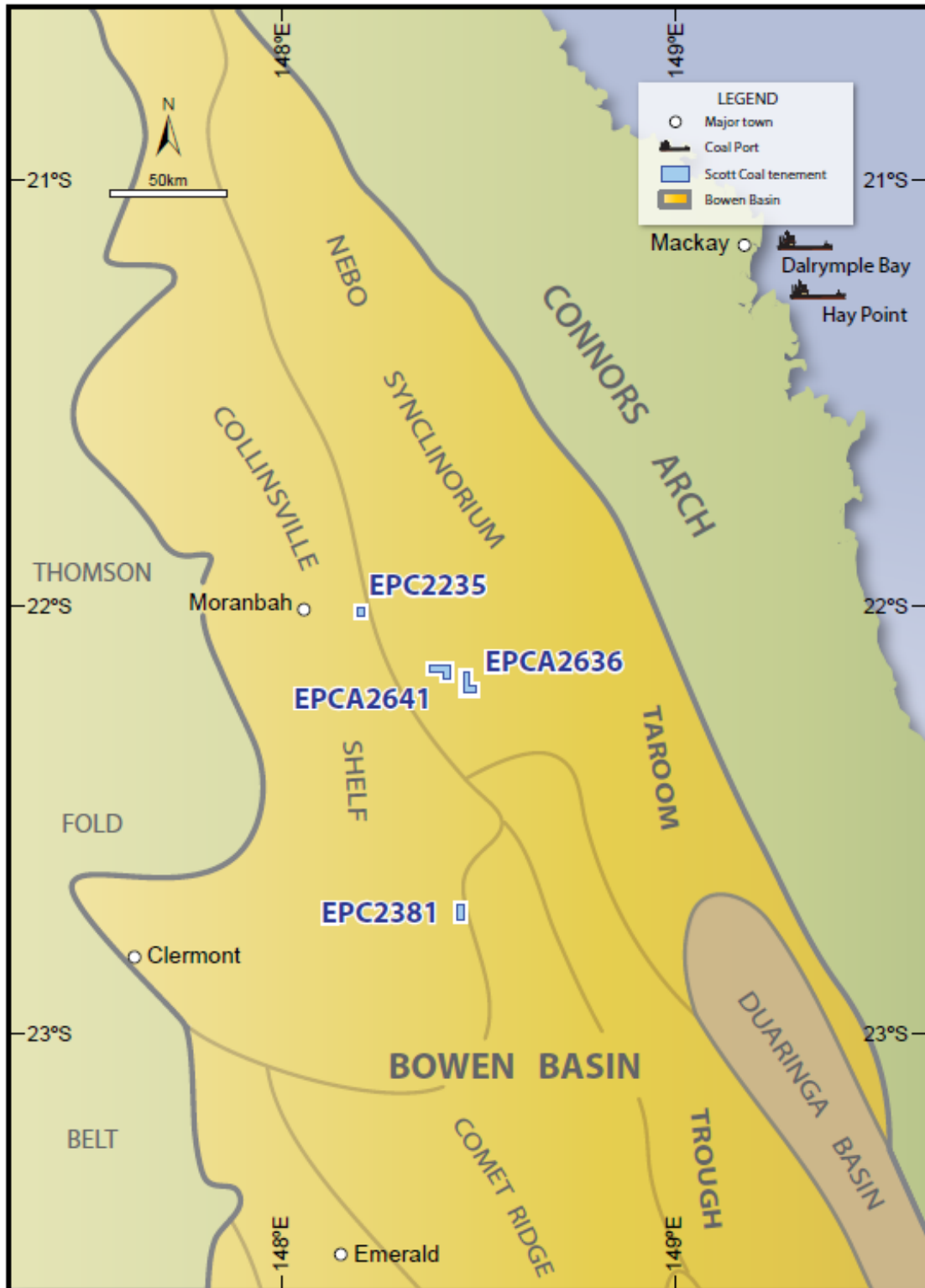
A handwritten signature in black ink, appearing to read 'I.D. Blayden', written in a cursive style.

I.D. Blayden  
PhD MBA BSc MAusIMM MMICA  
3/07/2012

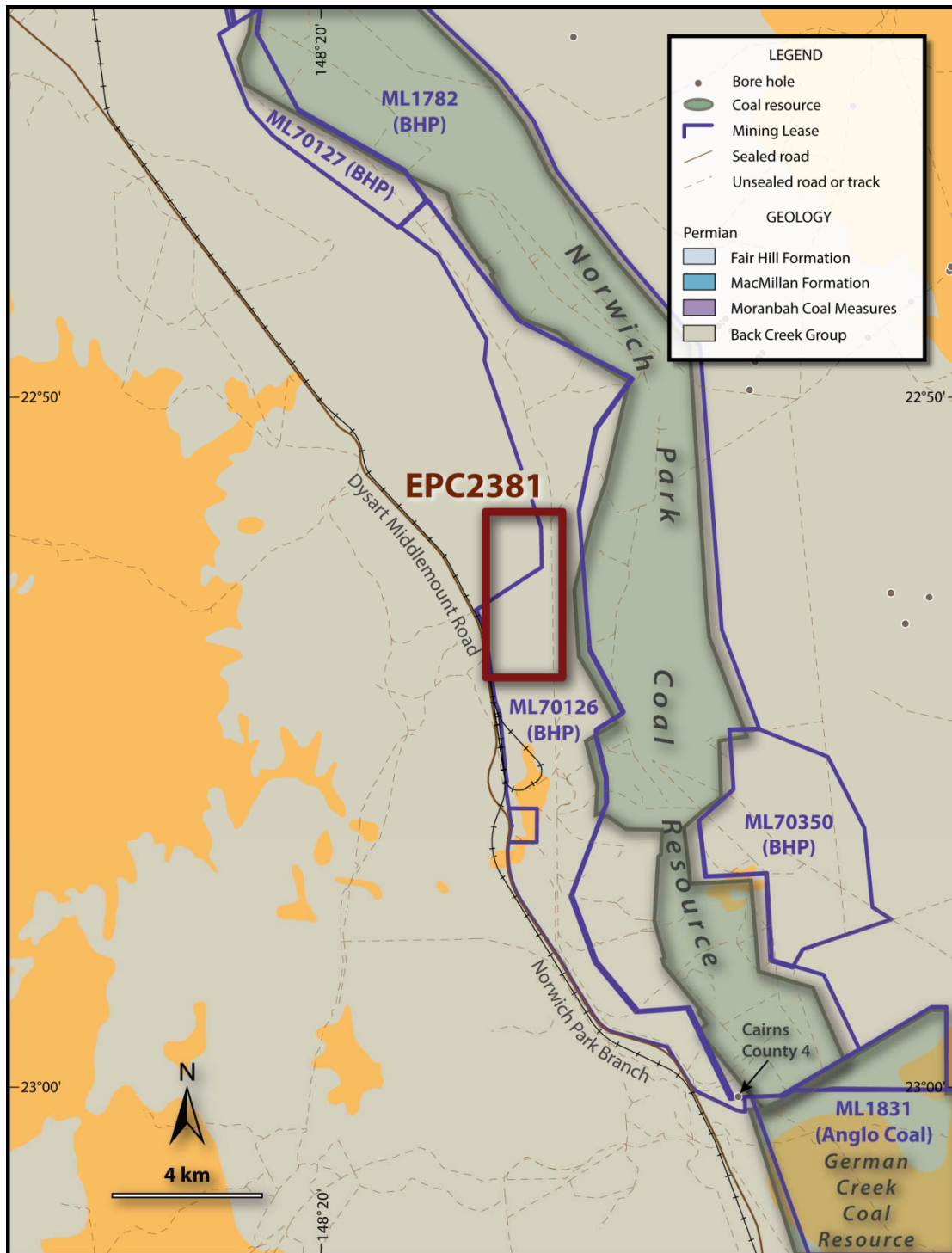
## Glossary of Terms

a.d	air dried - equilibrium moisture content of coal under standard laboratory conditions
a.r.	as received refers to the moisture content of coal immediately on receipt of sample
anticline	a fold in strata where the rocks slope away from a central axis
ash	inert matter remaining after the combustion of coal
basin	an area containing a thick sequence of strata, usually in a basin shape
c.s.n	Crucible Swelling Number - a standard coking property test measuring the swelling property of coal during rapid heating
Coal Measures	a sequence of strata containing coal seams
coal rank	an indication of the burial pressure and thermal history of coal as coal evolves from peat to anthracite
Cainozoic	An interval of geological time which comprises the Tertiary and Quaternary periods
Coking Coal	coal suitable for use in a steel making
Cretaceous	A period of geological time from 144 million years to 65 million years before present
d.b.	dry basis - the basis for estimating chemical properties of coal assuming 0% moisture content
density log	graphical representation of rock density down a borehole as measured by a geophysical probe
fault	a zone along which rock is fractured and strata is displaced
fixed carbon	the amount of material left in a sample after the moisture, ash and volatile matter have been determined by Proximate Analysis
Formation	a defined interval of strata, often comprising similar rock types
gamma log	a graphical representation of natural gamma radiation down a borehole as measured by a geophysical probe
Giesler Plastometer	A coking property test and measures the rate of softening of coal under standard temperature conditions
Hardgrave Grindability Index (HGI)	Relates to the hardness of the coal and measures the amount of coal fragmentation during a standard pulverising test
Jurassic	A period of geological time from 206 million years to 144 million years before present
mudstone	a sedimentary rock comprising mainly clay and silt particles
percussion drill hole	a type of drill hole where the drill bit is a form of hammer
PCI coal	Coals suitable for direct injection into a blast furnace in a pulverised state
Permian	A period of geological time from 290 million years to 248 million years before present

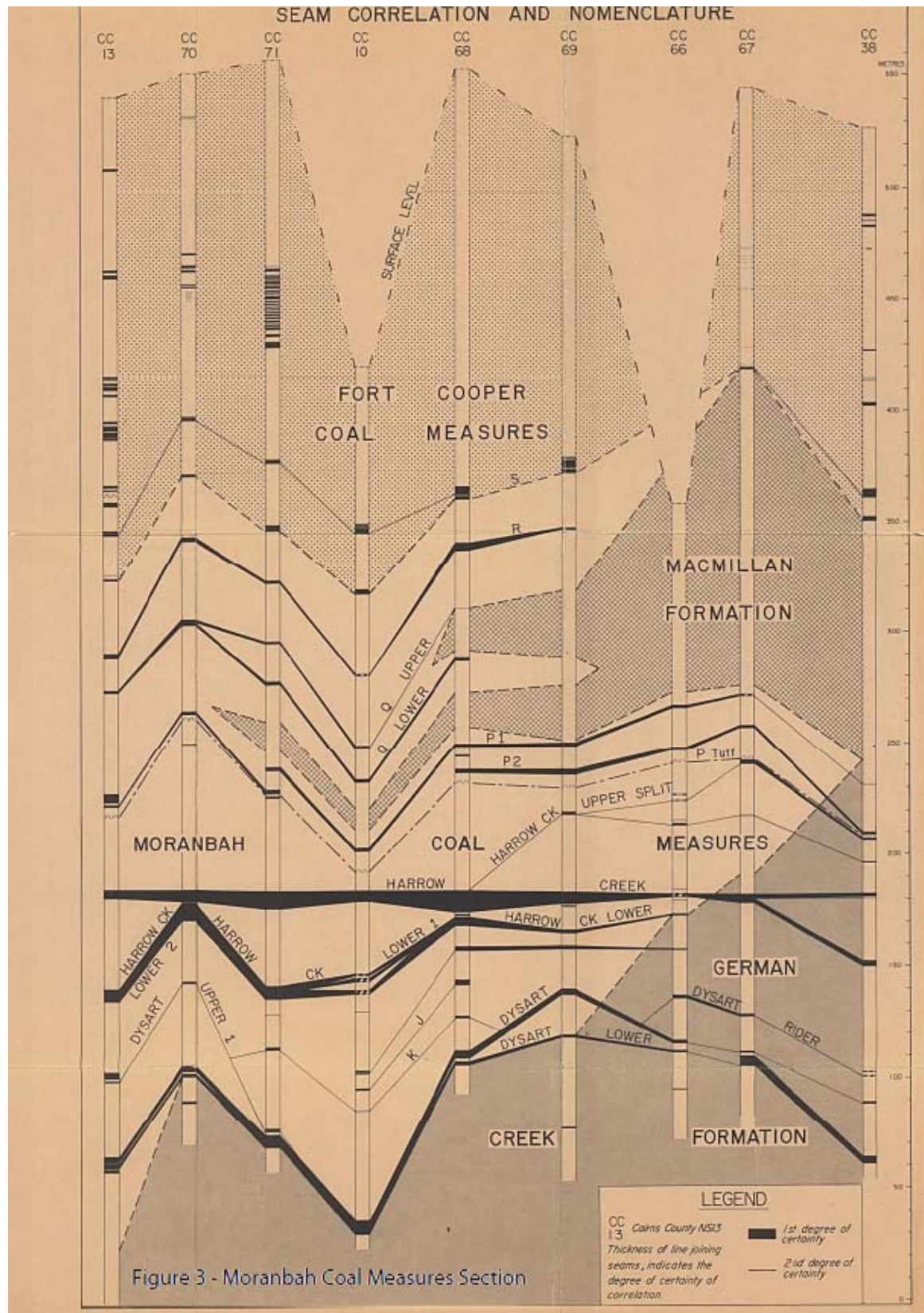
Proximate Analysis	A standard coal analysis procedure where the moisture, volatile matter ash and fixed carbon content are determined as a percentage of the sample
Quaternary	A period of geological time from 1.8 million years ago to the present
reflectance	an indication of coal rank determined by measuring light reflectance from a polished block of coal. The higher the reflectance the higher the rank
reverse fault	type of fault where one block moves up and over the adjacent block
sandstone	a type of sedimentary rock predominantly comprising discrete particles 0.05mm to 2.0mm in size
siltstone	a type of sedimentary rock where the individual particles are predominantly between 0.002mm and 0.05mm in size
specific energy	the quantity of heat released during the combustion of a standard quantity of coal
sub-bituminous	a classification of lower rank coal
syncline	a fold in strata where the rocks slope toward a central axis
Tertiary	A period of geological time from 65 million years to 1.8 million years before present
thermal coal	coal used in power stations
thrust fault	a type of reverse fault where the fault plane slopes at a very low angle
Triassic	A period of geological time from 248 million years to 206 million years before present
vitritinite	one of several particle types recognised in coal when viewed under a microscope



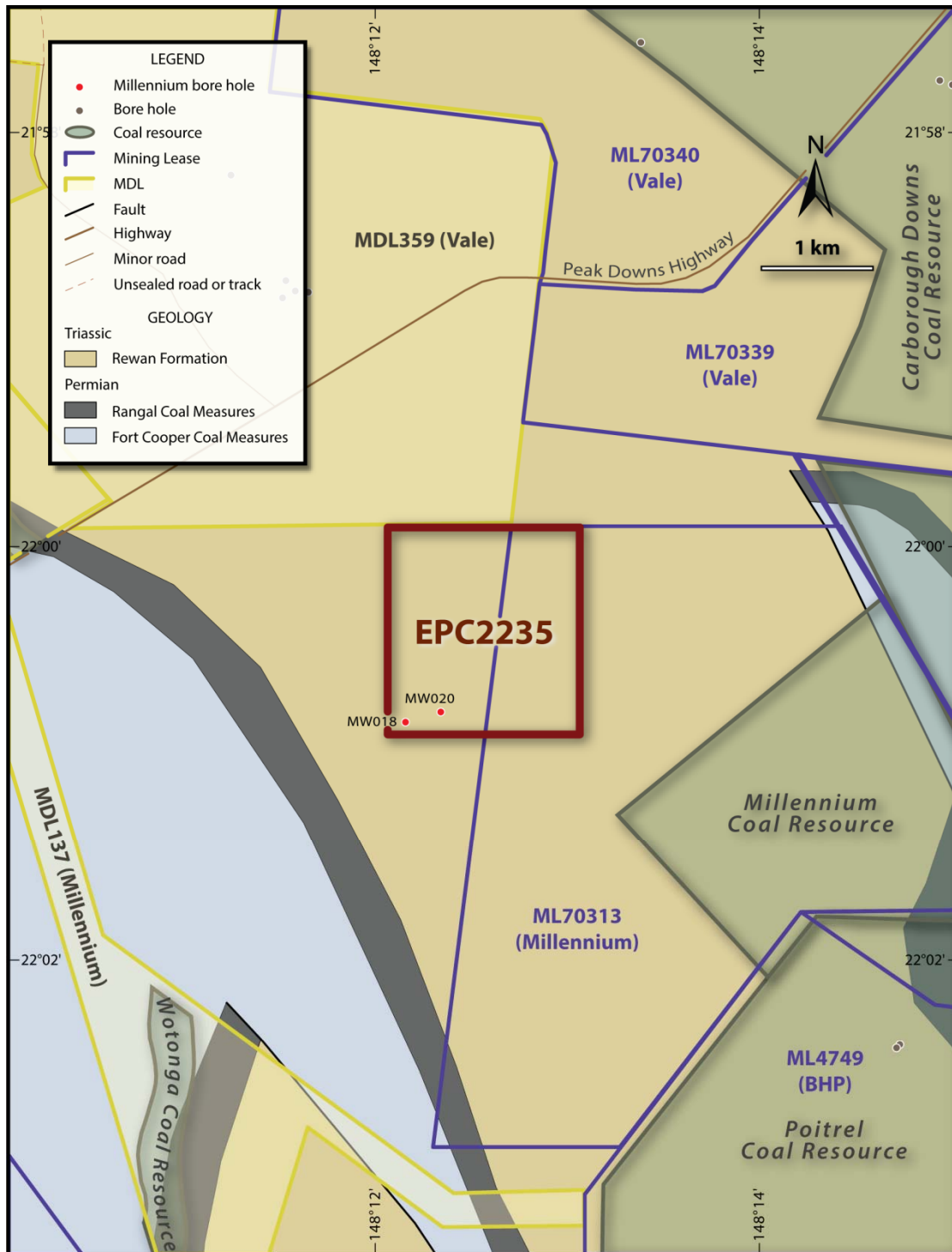
Project Location Map



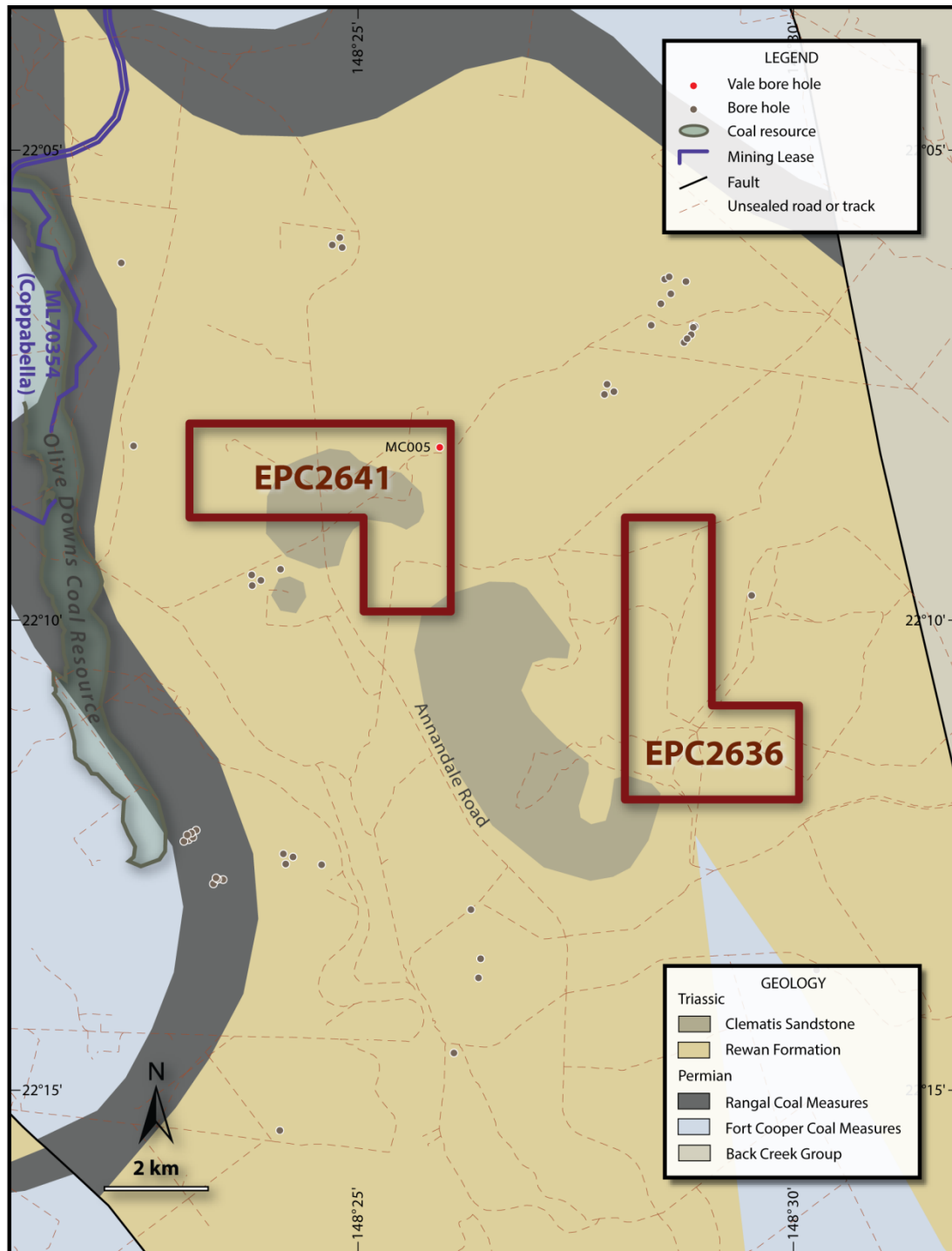
EPC 2381 Geology and Exploration



Section of Moranbah Coal Measures



**EPC 2235 Geology and Exploration**



**EPC 2636 and EPC 2641 Geology and Exploration**

## **Annexure D Solicitor's Report**

20 June 2012

**Mills Oakley Lawyers**  
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Our ref: HIT/DJN/3055923

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**Partner**  
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Dear Vince

## Solicitor's Report on Tenements – Metal Bank Limited

### 1 Introduction

We have been engaged by Metal Bank Limited (ACN 127 297 170) (**MBK**) to undertake limited legal due diligence and prepare this Solicitor's Report on Tenements (**Report**) in relation to certain exploration permits for coal (**EPCs**) granted or applied for under the *Mineral Resources Act 1989* (QLD) (**MRA**), namely:

- (a) EPC 2235;
- (b) EPC 2381;
- (c) EPC 2518 (application);
- (d) EPC 2636 (application); and
- (e) EPC 2641 (application),

(the **Tenements**).

### 2 Scope

Mills Oakley Lawyers has conducted the due diligence investigations on the Tenements in the manner described in this Report in accordance with the instructions of MBK. We have been instructed to prepare this Report relying only on the results of publicly available searches on the following matters:

- (a) the ownership of the Tenements and rights and obligations of the Tenement holders; and
- (b) native title and cultural heritage issues as they may apply to the Tenements.

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**20 June 2012**

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The scope of our due diligence in this Report is limited to the matters listed above and we have not been required to consider any other matters. For example, in this Report, we have not considered and do not report on any of the following matters in relation to the Tenements or Scott Creek Coal Pty Limited (**SCC**):

- (a) financial, commercial or accounting issues;
- (b) technical, geotechnical or operating issues;
- (c) intellectual property;
- (d) information technology; or
- (e) trade practices.

This Report does not comment on the commercial viability of the Tenements.

The due diligence undertaken by Mills Oakley Lawyers in preparing this Report has been limited to a review of the results of the searches of public registers maintained by the Queensland Department of Employment, Economic Development and Innovation (**DEEDI**), the National Native Title Tribunal (**NNTT**) and the Cultural Heritage Coordination Unit (**CHCU**) of the Department of Environment and Resource Management (**DERM**). We note that records disclosed by such searches may not be complete or up to date and we have not made any independent investigations or enquiries in relation to those searches. We express no opinion as to the accuracy of those searches or any factual matter contained in those searches and have assumed all factual matters stated in any of those searches are true and correct and the relevant registers have been properly and accurately recorded and maintained.

No additional work was performed in preparing this Report except as specifically stated in this Report and we have not conducted enquiries in relation to legal matters which may impact the Tenements beyond the limited scope of work described in this Report. On the basis of that work, we have sought to identify high level legal issues only. We have not identified or reviewed all issues in relation to the Tenements.

This Report only relates to relevant laws of Queensland and the Commonwealth of Australia in force at the date of this Report.

If any of the qualifications or assumptions set out in this Report are not correct, this Report will need to be reviewed and may need to be amended. Except where otherwise noted in this Report, nothing has come to our attention to lead us to believe that any of our assumptions are not correct but we have not made any independent investigation with respect to the matters the subject of such assumptions.

## **2.2 Benefit and Reliance**

This Report may only be relied upon by MBK for the purpose of their due diligence investigations. It should not be relied on for any other purpose or by any other person other than MBK. Mills Oakley Lawyers expressly disclaims (to the maximum extent permitted by law) any liability to any person other than MBK should that person rely on this Report.

## **3 Searches conducted**

### **3.1 Tenement searches**

- (a) On 19 June 2012, we conducted public enquiry searches of the Tenements in the public registers maintained by DEEDI.

- (b) On 19 June 2012, we conducted searches on the interactive resource and tenure maps maintained by DEEDI.
- (c) On 19 June 2012, we conducted searches of the Tenements in the environmentally sensitive area maps maintained by DERM.

### **3.2 Native title searches**

On 16 May 2012, we conducted searches of the NNTT registers to determine if any native title applications, native title determinations or Indigenous Land Use Agreements (**ILUA**) exist in relation to the land the subject of the Tenements.

### **3.3 Aboriginal Cultural Heritage**

On 22 May 2012, we conducted searches of the Cultural Heritage Register administered by the CHCU.

## **4 Results of Searches**

### **4.1 Results**

We have detailed the results of the searches referred to in section 3 of this Report in Schedules 1 and 2. We provide a summary below.

### **4.2 Granted Tenements**

Our searches of the public registers maintained by DEEDI indicated that each of EPC 2235 and EPC 2381 are granted tenements (**Granted Tenements**).

- (a) EPC 2235:
  - (i) is held by Eastern Gas Holdings Pty Ltd (**Eastern Gas**); and
  - (ii) authorises Eastern Gas to explore for coal only.
- (b) EPC 2381:
  - (i) is held by Eastern Gas; and
  - (ii) authorises Eastern Gas to explore for coal only.

### **4.3 Applications**

Our searches of the public registers maintained by DEEDI indicate that each of EPC 2518, EPC 2636 and EPC 2641 are applications (**Applications**).

- (a) In relation to EPC 2518:
  - (i) the applicant is Eastern Gas;
  - (ii) EPC 2518 had not been granted as at the date the searches were conducted;
  - (iii) if granted, EPC 2518 will authorise Eastern Gas to explore for coal only; and
  - (iv) there are two competing applications – EPC 2516 and EPC 2521. The holder of EPC 2516 is the priority applicant.

- (b) In relation to EPC 2636:
  - (i) the applicant is SCC;
  - (ii) EPC 2636 had not been granted as at the date the searches were conducted;
  - (iii) if granted, EPC 2636 will authorise SCC to explore for coal only; and
  - (iv) there is a competing application – EPC 2645, however, SCC is the priority applicant.
- (c) In relation to EPC 2641:
  - (i) the applicant is SCC;
  - (ii) EPC 2641 had not been granted as at the date the searches were conducted;
  - (iii) if granted, EPC 2641 will authorise SCC to explore for coal only; and
  - (iv) there is a competing application – EPC 2645, however, SCC is the priority applicant.

#### **4.4 Ownership of the Tenements**

While MBK is not currently registered as the holder of the Tenements, MBK has entered into binding agreements with each of the shareholders of SCC to acquire 100% of the total issued share capital of SCC (**SCC Acquisition**). Completion of these agreements is subject to satisfaction or waiver of certain conditions precedent, including approval by MBK shareholders of SCC Acquisition.

SCC is the registered holder of EPC 2636 and EPC 2641. While SCC is not currently registered as the holder of EPC 2235, EPC 2381 and EPC 2518 in the DEEDI searches, we note that SCC entered into a deed dated 6 May 2011 (as amended by a number of deeds of variation) with Eastern Gas, Michael John Addison (**Addison**) and a number of additional parties (**Deed**). Under the terms of the Deed, SCC purchased from Addison 100% of the total issued share capital in Eastern Gas, the holder of EPC 2235, EPC 2381 and EPC 2518.

We are informed by SCC that the purchase by SCC of Eastern Gas has completed and SCC now owns 100% of the total issued share capital in Eastern Gas. An ASIC company search of Eastern Gas conducted on 22 May 2012 indicated that SCC is the sole shareholder of Eastern Gas.

Accordingly, SCC is the holder of each of the Tenements, either directly in its own name or indirectly in the name of Eastern Gas.

#### **4.5 Native Title**

Our searches of the NNTT indicate that there is:

- (a) a native title claim in respect of the land underlying all of the Tenements;
- (b) no native title determinations in respect of the Tenements; and
- (c) two ILUAs affecting the land underlying EPC 2235 and EPC 2518 and one ILUA affecting the land underlying EPC 2381, EPC 2636 and EPC 2641.

Additional information about these results is provided in section 9 and Schedule 1 of this Report.

#### **4.6 Aboriginal Heritage**

Our searches of the registers maintained by the CHCU indicate that the land underlying EPC 2235 is affected by the existence of known Aboriginal cultural heritage items.

Details of the tenement holder's obligations to protect these sites and any other significant Aboriginal sites are provided in section 9 of this Report.

### **5 Rights and obligations of tenement holders**

#### **5.1 The Tenements**

The Tenements are located in Queensland and are therefore regulated under the MRA.

Each of the Granted Tenements are granted EPCs. Pursuant to the MRA, a granted EPC facilitates exploration and entitles the holder to enter any part of the land (excluding the surface of restricted areas) to explore for coal provided that all other provisions of the MRA, including land access provisions, are observed.

In order for any of the Granted Tenements to be assigned or renewed, the Granted Tenements must be in good standing. The minimum expenditure commitment for each of the Granted Tenements is set out in Schedule 1. The minimum expenditure commitment for EPC 2235 for the year commencing on 28 February 2011 (**Year 1**) was \$30,000. We are informed by SCC that only \$7,603.75 of this \$30,000 was expended in Year 1. Non-compliance with the conditions of the EPC may limit the ability of the holder to successfully seek renewal for a further term.

The rights and obligations of holders of granted EPCs do not extend to applicants of EPCs. An applicant for an EPC is also precluded from assigning their interest in the application and must wait for the EPC to be granted before assigning the tenement.

Each of the Applications is an application for an EPC. Under the MRA, the Minister may grant an EPC only where he or she is satisfied that:

- (a) the requirements of the MRA have been complied with;
- (b) the applicant is an eligible person;
- (c) the applicant has paid the rent for the first year of the term of the EPC; and
- (d) the program of work has been approved.

The Minister can either grant the EPC, with or without conditions, or refuse to grant the EPC. Circumstances in which the Minister may refuse to grant the EPC include where:

- (a) the Minister is of the opinion on reasonable grounds that the applicant has previously contravened the MRA or other mining legislation; or
- (b) the land the subject of the EPC application is in a fossicking area or subject to an exploration permit for the same mineral.

Before an EPC is renewed or granted, the Minister must determine the amount of security to be deposited by the holder as reasonable security for compliance with the terms of the EPC and the MRA and rectification for any actual damage caused by any person whilst acting under the

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authority of the EPC. An EPC must not be granted or renewed until such security is deposited with the Minister.

On granting an EPC, the Minister will determine the terms and conditions that will apply to the EPC, which will include reporting and restoration obligations, restrictions on assignment and compliance with the MRA and any other mining legislation. The Minister will also determine rent, royalties and any minimum expenditure commitments applying to the EPC.

The MRA provides that unless the Minister determines otherwise, the initial term of an EPC will be 5 years. Renewal of an EPC must be applied for not more than 6 months and not less than 3 months prior to the expiration of the EPC. Any non-compliance with the conditions of the EPC may limit the ability of the holder to successfully seek renewal for a further term.

When an EPC is granted or renewed, the Minister may determine that the area covered by that EPC will be reduced in the future, in the way and to the extent determined by the Minister. Under the existing conditions of EPC 2381, if a renewal is sought, a 20% relinquishment of the existing tenement area will be required.

## **5.2 Exploration Permits**

We note that our searches of the public registers maintained by DEEDI indicate that all of the Tenements are applications for, or granted, EPCs.

Under the MRA, commercial mining operations cannot be carried out pursuant to an exploration permit (which includes EPCs) and a mining lease (**ML**) is required before such operations can be carried out. In most cases, any person can apply for an ML but the holder of an exploration permit over the relevant land will have priority.

An application for an ML will usually trigger the right to negotiate procedure which requires negotiations with persons claiming or holding native title over the relevant land. Refer to section 9 of this Report for further details of the right to negotiate procedure.

## **5.3 Overlapping Tenements**

The implications of other tenements which overlap the land on which the Tenements are located (**Overlapping Tenements**) must be considered. Overlapping Tenements may have implications for the grant of an EPC, or future applications for a mineral development licence (**MDL**) or an ML and practical implications for the development of the resource. Schedule 2 summarises the Overlapping Tenements and illustrates that all of the Tenements are overlapped by a number of Overlapping Tenements.

At the time an application for the grant of an exploration permit is accepted, the MRA operates to specifically exclude from that exploration permit land that is the subject of any granted mining claim (**MC**), MDL or ML or any application for any MC, MDL or ML. There is no similar restriction in relation to exploration permits for minerals (**EPMs**) over the same areas as granted EPCs. In respect of the Tenements, EPC 2235 overlaps an ML and an MDL, EPC 2381 overlaps an ML and EPC 2641 overlaps a EPM. Future applications for an ML or MDL for Tenements which include overlapping MLs or MDLs will require the consent of any overlapping coal tenement holders and the written views of any holders of Overlapping Tenements for minerals other than coal.

We also note that EPC 2518, EPC 2641 and EPC 2636 each have competing EPC applications. In respect of each of these Applications, other parties submitted competing applications for an EPC on the same day as applications were made by the holder of these Applications. EPCs over the same land are not permitted and competing applications will be prioritised based on date of lodgement, or where two or more EPC applications are made on the same day, the EPC applications will take the priority determined by the Minister, after consideration of the relative merits of each EPC application.

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The MRA and the *Petroleum and Gas (Production and Safety) Act 2004* sets out the overlapping tenure regime for coal tenements and petroleum tenements. All of the Tenements have Overlapping Tenements that are petroleum tenements. These Overlapping Tenements are set out in Schedule 2. These Overlapping Tenements include a petroleum lease (**PL**) (in relation to EPC 2235), authorities to prospect (**ATP**) (also known as an exploration permit for petroleum (**EPP**)) (in relation to EPCs 2235, 2518, 2381, 2641 and 2636), petroleum pipeline licences (**PPL**) (in relation to EPC 2518) and petroleum survey licences (**PSL**) (in relation to EPCs 2235, 2518, 2641 and 2636).

If an EPC overlaps an ATP, an authorised activity under the EPC cannot be carried out within the area of overlap with the ATP if to do so would adversely affect the carrying out of an authorised activity under the ATP which had commenced. If in the future, a holder of a Tenement was to apply for an ML in relation to a Tenement within the area of a pre-existing ATP, the holder of the Tenement would either need to obtain the consent of the ATP holder and enter into a coordination agreement with the holder, or pursue a preference decision for coal development under the MRA.

If an EPC overlaps with a PL, an authorised activity may only be undertaken in the overlapping land if the PL holder's written agreement is obtained and a copy of the agreement is lodged with DEEDI. If the holder of an EPC wishes to apply for an ML in the future in relation to land which overlaps an existing PL, the MRA provides that the ML applicant must enter into a coordination agreement with the PL holder.

There are also several granted PSLs and PPLs overlapping some of the Tenements. PSLs are granted to allow for the investigation and survey of possible pipeline routes. PPLs allow for the construction of a pipeline. We recommend the EPC holder/applicant consider the impact of the PSL/PPL on any proposed exploration or development activities within the affected Tenements.

There are also 2 coal seam gas wells overlapping EPC 2518 – Well ID 64383 (an exploration well) and Well ID 64407 (an appraisal well).

## **6 Restricted Areas**

On 13 January 2012, the Queensland Government announced reforms to the way land is made available for coal. Over the counter applications for coal tenure are no longer accepted and have been replaced by a competitive bidding process, with controlled land release for coal. A transitional Restricted Area 394 has been declared over the state of Queensland to prohibit new applications being submitted while a tender process is being implemented.

This new system will not apply to holders of existing exploration permits for coal or applications submitted before 13 January 2012. Accordingly, while each of the Tenements is within Restricted Area 394, the new system will not apply to the Tenements.

## **7 Land Access**

New land access laws were introduced in Queensland in late 2010. These laws apply to the exploration and development activities of resource companies, access to land and compensation for landholders. The laws apply to exploration permits and MDLs under the MRA, as well as resource authorities granted under certain other Queensland resources legislation, including the *Petroleum and Gas (Production and Safety) Act 2004*, the *Petroleum Act 1923*, the *Greenhouse Gas Storage Act 2009* and the *Geothermal Energy Act 2010*.

Holders of the Tenements will need to ensure that they are in compliance with the new land access laws applying to exploration permits, which are set out in schedule 1 of the MRA. Key features of the new laws include the following:

- (a) the classification of exploration activities as either a 'preliminary activity' (such as walking the area of the permit or taking soil or water samples) or an 'advanced activity' (such as bulk sampling or open trenching or costeaming with an excavator);
- (b) tenement holders are required to give entry notices to owners and occupiers of the land at least 10 business days before entry is made to carry out a preliminary activity and certain types of advanced activities;
- (c) tenement holders are required to negotiate conduct and compensation agreements or a deferral agreement to carry out advanced activities. A conduct and compensation agreement must address the tenement holder's compensation liability to owners and occupiers of the land. A deferral agreement must particularise amongst other things when the parties agree to enter into a conduct and compensation agreement; and
- (d) a tenement holder is required to compensate owners and occupiers of land where exploration activities carried out on private land or public land have a 'compensatable effect'. Compensatable effects are defined in the MRA and include (but are not limited to):
  - (i) deprivation of possession of the surface of the land;
  - (ii) diminution of the value of the land;
  - (iii) diminution of the use made or that may be made of the land or any improvements on it; or
  - (iv) any cost or damage to the land arising from carrying out the exploration activities.

We do not comment on whether holders of the Tenements are in compliance with any land access laws.

## **8 Environmental**

The regulation of environmental management performance of the mining industry in Queensland is administered by DERM under the *Environmental Protection Act 1994 (EPA)*. The EPA provides that an environmental authority (**EA**) is required to be obtained in order to carry out a mining activity. DERM regulates the grant of tenements by requiring an applicant for an EPC to obtain an EA before the tenement is granted.

EPC 2235 has been issued with a Code Compliant EA under the EPA, being permit number MIC202010710. EPC 2381 has also been issued with a Code Compliant EA under the EPA, being permit number MIC202515511. Eastern Gas, as holder of EPC 2235 and EPC 2381, must comply with the Code of Environmental Compliance for Exploration and Mineral Development Projects (**Code**). The Code:

- (a) provides criteria to determine the level of environmental management required for exploration or mineral development projects;
- (b) sets environmental performance requirements as standard environmental conditions, which will be the compliance requirements of an EA issued for standard exploration and mineral development projects;
- (c) provides advisory notes on how to achieve compliance with the standard environmental conditions; and

- (d) provides references to technical guidelines for information on best practice environmental management.

We note that standard environmental condition 13 in the Code provides that the holder of an EA must not carry out activities in a category A or B environmentally sensitive area (as defined in the Code) and must consult with DERM prior to carrying out activities in a category C sensitive area (as defined in the Code). Environmentally sensitive areas are defined in the Code as "locations, however large or small, that have environmental values that contribute to maintaining biological diversity and integrity, have intrinsic or attributed scientific, historical or cultural heritage value, or are important in providing amenity, harmony or sense of community".

We undertook searches of the environmentally sensitive area maps maintained by DERM, which identified the following categories of environmentally sensitive areas within the underlying land comprising the Tenements:

- (a) EPC 2235 contains category B environmentally sensitive areas, being endangered regional ecosystems;
- (b) EPC 2381 contains category B environmentally sensitive areas, being endangered regional ecosystems;
- (c) EPC 2518 contains category B environmentally sensitive areas, being endangered regional ecosystems and category C environmentally sensitive areas, being nature refuges;
- (d) EPC 2636 does not contain any environmentally sensitive areas; and
- (e) EPC 2641 contains category B environmentally sensitive areas, being endangered regional ecosystems.

We do not comment on whether the Granted Tenements comply with the EPA and the Code or whether any of the Applications have been issued with an EA or whether they comply with the EPA and the Code.

## **9 Native Title**

### **9.1 The Native Title Act**

The *Native Title Act 1993 (Cth)* (**NTA**) was enacted in response to the common law recognition of native title in Australia. Amongst other things, the NTA:

- (a) provides for the recognition and protection of native title;
- (b) provides a framework within which the Commonwealth and State governments can undertake future acts which might have an impact on native title (such as the grant of a mining tenement); and
- (c) provides native title holders and claimants with various procedural rights, including rights to negotiation, consultation and compensation.

### **9.2 Process for claiming native title**

Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court. The Federal Court will refer a native title claim to the NNTT for the purposes of determining the claim. If the Native Title Registrar is satisfied that the claim meets the registration requirements set out in the NTA, it will be entered on the Register of Native Title Claims maintained by the NNTT. Registered native title claimants are afforded certain procedural rights under the NTA, including the right to negotiate.

### **9.3 Native title and the Tenements**

To ascertain whether native title is an issue in relation to the land underlying any of the Tenements, it is first necessary to determine whether there is a current or former land tenure (e.g. freehold) or use made of the land which has already extinguished native title. Native title is extinguished in respect of land the subject of freehold, public works and other previous "exclusive possession" acts.

We have not undertaken any searches in respect of the underlying land tenure of the Tenements in order to determine the extent of the extinguishment of native title for the purposes of this Report. It follows that we are unable to determine whether or not native title has been extinguished in relation to any part of the land underlying the Tenements.

Where a native title claim affects the land underlying a Tenement, EPCs may be granted on the following basis:

- (a) if it is determined that native title exists on less than 10% of the area of the EPC applied for, it is possible that the EPC may be granted excluding those pockets of land where native title may exist; or
- (b) the application will proceed through the right to negotiate process and expedited procedures will apply to the grant of the EPC.

### **9.4 Right to negotiate**

The NTA provides that a future act will be invalid to the extent that it affects native title. Certain future acts done by the Commonwealth or a State government, such as the grant of a mining tenement, may be valid to the extent that certain procedures set out in the NTA are followed. These include (but are not limited to):

- (a) following the right to negotiate process; and
- (b) if the future acts are pursuant to an ILUA.

The right to negotiate process gives registered native title claimants a right to negotiate with a tenement applicant and the relevant State government, with the view to obtaining an agreement to the grant of the relevant tenement.

Under the NTA, a fast-tracking process known as the expedited procedure under the right to negotiate process will generally apply to exploration activities and the full right to negotiate process will apply to applications for mining leases, mining claims and mineral development licences.

### **9.5 Native title and the Granted Tenements**

Our searches of the NNTT indicate that a native title claim affects the land the subject of both the Granted Tenements. The native title claim is identified in Schedule 1.

Searches undertaken in respect of the Granted Tenements show the Granted Tenements are "exclusive land". This could mean that either native title has been wholly extinguished from the land underlying the Granted Tenements or that small areas of native title (i.e. less than 10% of the area of the tenement) exist within the tenement land and the tenements were granted on the basis that these native title areas were excluded from the grant. Where land the subject of native title is excluded from the grant of an exploration permit the MRA contains a process for a tenement holder to apply for the excluded native title land to be added back into the EPC.

Both of the Granted Tenements overlap registered ILUAs. An ILUA is an agreement between native title holders or claimants and other parties with an interest in the land. The agreement sets out how land in the area covered by the agreement will be used and managed in the future. The parties to an ILUA can apply to the Native Title Registrar to have the ILUA registered. Once an ILUA is registered, it is placed on the NNTT's register of Indigenous Land Use Agreements and binds all parties to the agreement.

The presence of an ILUA over the same area as a mining or exploration tenement does not necessarily mean that the ILUA will have any effect on, or otherwise constrain, that tenement. An ILUA is a contract, meaning that if the tenement holder is not a party to that contract then they will not necessarily be affected by the matters agreed to in that contract. The holders of the Granted Tenements are not a party to the overlapping ILUAs.

## 9.6 Native title and the Applications

Our searches of the NNTT indicate that a native title claim affects the land the subject of all of the Applications. The native title claim is identified in Schedule 1. Accordingly, there are two options for the grant of the Applications:

- (a) if it is determined that native title exists on less than 10% of the area of the EPC applied for, it is possible that the EPC may be granted excluding those pockets of land where native title may exist; or
- (b) the tenement applicant will need to comply with the expedited procedures in order for these tenements to be granted. If granted under the expedited procedures, these tenements will be subject to the Native Title Protection Conditions (**NTP Conditions**) unless the tenement applicant and native title party reach an agreement setting on the terms upon which the EPC should be granted. The NTP Conditions identify:
  - (i) which native title party or parties the tenement holder must engage;
  - (ii) what the tenement holder and the native title party must do before and during any exploration; and
  - (iii) what occurs when timeframes specified in the native title protection conditions are not met.

We do not comment on the status of the Applications, including the expedited procedures in relation to each of the Applications.

Each of the Applications also overlap a registered ILUA. None of the holders of the Applications are a party to these ILUAs.

## 10 Aboriginal Heritage

The Tenements may be located on land which is subject to protection due to the existence of Aboriginal cultural heritage. The principal law which applies to the Tenements to protect any Aboriginal cultural heritage in Queensland is the *Aboriginal Cultural Heritage Act 2003 (QLD)* (**ACHA**).

The ACHA imposes a duty of care on any person carrying out any activity to take all reasonable and practical measures to ensure that such activity does not harm Aboriginal cultural heritage. The ACHA provides that a person will be taken to have complied with the cultural heritage duty of care if:

- (a) the person is acting under the authority of another provision of the ACHA that applies to the Aboriginal cultural heritage;

- (b) the person is acting under an approved cultural heritage management plan that applies to the Aboriginal cultural heritage;
- (c) the person is acting under a native title agreement with an Aboriginal party unless the Aboriginal cultural heritage is expressly excluded from being subject to the agreement;
- (d) the person is acting in compliance with cultural heritage duty of care guidelines;
- (e) the person is acting in compliance with NTP Conditions, but only if the Aboriginal cultural heritage is expressly or impliedly the subject of the conditions;
- (f) the person owns the Aboriginal cultural heritage, or is acting with the owner's agreement; or
- (g) the activity is necessary because of an emergency, for example, a bushfire or other natural disaster.

The CHCU registers identify registered Aboriginal cultural heritage sites or objects on Queensland land. Our searches of the registers maintained by the CHCU indicate that the land underlying EPC 2235 is affected by the existence of known Aboriginal cultural heritage object, being a tree. Holders of the Tenements should note that the CHCU registers may not necessarily show an exhaustive list of Aboriginal cultural heritage sites or objects which may exist, but rather, will show those cultural heritage sites or objects which have been found and registered with CHCU.

We do not comment on whether Eastern Gas, as holder of EPC 2235, has satisfied its cultural heritage duty of care.

## **11 Conclusion**

### **11.1 Summary of key issues**

This Report identifies the material legal issues affecting the Tenements based on the information obtained from publicly available searches. Material issues identified in this Report in relation to the Tenements include the following:

- (a) EPC 2518, EPC 2636 and EPC 2641 are applications for the grant of an EPC only and are therefore subject to approval and grant by DEEDI. The Minister (on behalf of DEEDI) will only grant an EPC where the Minister is satisfied that the applicant is an eligible person, the requirements of the MRA have been complied with, prescribed rent has been paid and the program of work for the EPC has been approved. As with any application for a tenement, there is a risk that one or more of the Applications will not be granted or that they will be granted subject to unfavourable conditions. We do not comment on the likelihood of any Applications being granted by DEEDI;
- (b) EPC 2518, EPC 2636 and EPC 2641 each have competing EPC applications. In respect of each of these Applications, other parties submitted competing applications for an EPC over the same land on the same day as the holder of these Applications. EPCs over the same land are not permitted and competing applications will be prioritised based on date of lodgement, or where two or more EPC applications are made on the same day, they will take the priority the Minister decides, after considering the relative merits of each application. At this stage, SCC is the priority applicant for EPC 2636 and EPC 2641. Eastern Gas is not the priority applicant for EPC 2518;

- (c) EPC 2235, EPC 2381 and EPC 2518 are recorded on the DEEDI register as being held by Eastern Gas. However, we understand that in accordance with the terms of the Deed, SCC has been transferred 100% of the total issued share capital in Eastern Gas;
- (d) in order for any of the Tenements to be renewed or assigned, the Tenements must be in good standing. The minimum expenditure commitment for EPC 2235 for the year commencing on 28 February 2011 (**Year 1**) was \$30,000. We are informed by SCC that only \$7,603.75 of this \$30,000 was expended in Year 1. Non-compliance with the conditions of the EPC may limit the ability of the holder to successfully seek renewal for a further term;
- (e) the overlapping tenure regime in Queensland will affect the ability of the holders of the Tenements to have a mining lease granted in respect of an area already covered by a competing tenure (e.g. a petroleum lease). All of the Tenements have Overlapping Tenements. If the holders of the Tenement seek to apply for a mining lease in respect of a Tenement, the consent of the holder of the Overlapping Tenement may be required and co-development arrangements may need to be negotiated before mining could occur;
- (f) there is a native title claim affecting the land underlying each of the Tenements. Accordingly, native title issues, including the expedited procedures in relation to the Applications, will need to be considered by the holders of the Tenements; and
- (g) EPC 2235 contains a tree which is a registered Aboriginal cultural heritage item.

## **11.2 Assumptions and Qualifications**

- (a) For the purposes of giving this Report, we have assumed:
  - (i) that the information provided to us by DEEDI, the NNTT, DERM and CHCU is correct, accurate, complete and up to date as at the date it was received by us;
  - (ii) that the information provided to us by MBK and SCC is correct, accurate, complete and up to date as at the date it was received by us;
  - (iii) the completeness, and conformity to originals of all copies of documents submitted to us; and
  - (iv) the authenticity of all signatures, seals and dates, and of any stamp duty endorsement or marking.
- (b) We cannot comment on any obligations of the holders of the Tenements that may arise from agreements that are not noted on the searches we have conducted.
- (c) We have relied on instructions from MBK and SCC that the agreements disclosed in this Report are the only agreements or arrangements relating to the Tenements to which it is a party or of which it is aware.
- (d) We note that the holding of the Tenements is subject to compliance with the provisions of the MRA. We do not comment on whether the holders of the Tenements have complied with any such obligations.
- (e) We note that all information contained in Schedules 1 and 2 has been extracted from the searches described in section 3 of this Report.

**20 June 2012**

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- (f) This is a high level Report covering material legal issues affecting the Tenements and does not purport to cover all possible issues which may affect the Tenements.

If you have any questions or require further information please do not hesitate to contact David Nolan on 02 8289 5808 or [dnolan@millsoakley.com.au](mailto:dnolan@millsoakley.com.au).

Yours faithfully



**DAVID NOLAN**  
**PARTNER**

20 June 2012

## Schedule 1

## Summary of Tenements

Tenement and Project	Status	Registered Holder/Applicant	Application/Grant Date	Expiry Date	Annual Rent	Expenditure Commitment	Native Title Claims	ILUAs	Registered Cultural Sites	Notes and Conditions
EPC 2235	Granted	Eastern Gas Holdings Pty Ltd	28 February 2011	27 February 2014	\$123.35	Year 1 = \$30,000 Year 2 = \$45,000 Year 3 = \$25,000	Barada Barna People, Federal Court No. QUD 380/08 (accepted for registration)	Connors River Dam and Pipelines Project ILUA, Tribunal No. QI2011/009 (registered)  Arrow Barada Barna LNG Project ILUA, Tribunal No. QI2011/031 (registered)	Tree	General Conditions Version 5
EPC 2381	Granted	Eastern Gas Holdings Pty Ltd	14 December 2011	13 December 2014	\$254.10	Year 1 = \$30,000 Year 2 = \$45,000 Year 3 = \$25,000	Barada Barna People, Federal Court No. QUD 380/08 (accepted for registration)	Arrow Barada Barna LNG Project ILUA, Tribunal No. QI2011/031 (registered)	N/A	General Conditions Version 5

20 June 2012

Tenement and Project	Status	Registered Holder/Applicant	Application/Grant Date	Expiry Date	Annual Rent	Expenditure Commitment	Native Title Claims	ILUAs	Registered Cultural Sites	Notes and Conditions
							Future Act Notice Tribunal No. QS11/165 in relation to EPP 688			
EPC 2518	Competing Application	Eastern Gas Holdings Pty Ltd	3 May 2011	N/A	N/A	N/A	Barada Barna People, Federal Court No. QUD 380/08 (accepted for registration)	Enertrade – BBKY 4 CQGP Agreement, Tribunal No. QI2006/028 (registered)  Arrow Barada Barna LNG Project ILUA, Tribunal No. QI2011/031 (registered)	N/A	N/A
EPC 2636	Priority Applicant	Scott Creek Coal Pty Limited	1 July 2011	N/A	N/A	N/A	Barada Barna People, Federal Court No. QUD 380/08 (accepted for registration)	Arrow Barada Barna LNG Project ILUA, Tribunal No. QI2011/031 (registered)	N/A	N/A
EPC 2641	Priority Applicant	Scott Creek Coal Pty Limited	1 July 2011	N/A	N/A	N/A	Barada Barna People, Federal Court	Arrow Barada Barna LNG Project,	N/A	N/A

**20 June 2012**

Tenement and Project	Status	Registered Holder/Applicant	Application/Grant Date	Expiry Date	Annual Rent	Expenditure Commitment	Native Title Claims	ILUAs	Registered Cultural Sites	Notes and Conditions
							No. QUD 380/08 (accepted for registration)	Tribunal No. QI2011/031 (registered)		

20 June 2012

**Schedule 2****Overlapping Tenements****EPC 2235**

The table below summarises the Overlapping Tenements for EPC 2235:

Tenement type	Tenement number	Status	Date lodged or granted	Expiry date	Principal holder	Status in relation to EPC 2235
EPP	1103	Granted	23 December 2010	31 December 2017	CH4 Pty Ltd	Granted after EPC application made but before EPC was granted
ML	70313	Granted	16 December 2004	31 December 2034	Millennium Coal Pty Ltd	Granted before EPC application was made
MDL	354	Granted – renewal lodged	25 June 2004	30 June 2012	Vale Australia (CQ) Pty Ltd	Granted before EPC application was made
PL	223	Granted	16 December 2004	15 December 2024	CH4 Pty Ltd	Granted before EPC application was made
PSL	68	Granted	10 November 2011	N/A	Galilee Pipelines Pty Ltd	Application made after EPC application was made
PSL	73	Granted	17 January 2012	N/A	Arrow Bowen Pipeline Pty Ltd	Granted after EPC application was made

**EPC 2381**

The table below summarises the Overlapping Tenements for EPC 2381:

Tenement type	Tenement number	Status	Date lodged or granted	Expiry date	Principal holder	Status in relation to EPC 2381
EPP	688	Granted	26 February 2003	28 February 2019	BNG (Surat) Pty	Granted before EPC

**20 June 2012**

					Ltd	application was made
ML	70126	Granted – renewal lodged	22 April 2004	31 December 2010	BHP Coal Pty Ltd	Granted before EPC application was made but has expired. Renewal has been lodged.

**EPC 2518**

The table below summarises the Overlapping Tenements for EPC 2518:

Tenement type	Tenement number	Status	Date lodged or granted	Expiry date	Principal holder	Status in relation to EPC 2518
PPL	121	Granted	1 September 2008	N/A	Central Queensland Pipeline Pty Ltd	Granted before EPC application was made
EPC	2521	Competing application	3 May 2011	N/A	Rio Tinto Exploration Pty Ltd	EPC application made on same day
EPC	2516	Priority applicant	3 May 2011	N/A	BHP Coal Pty Ltd	EPC application made on same day
EPP	1103	Granted	23 December 2010	31 December 2017	CH4 Pty Ltd	Granted before EPC application was made
PSL	73	Granted	17 January 2012	N/A	Arrow Bowen Pipeline Pty Ltd	Granted after EPC application was made

**EPC 2636**

The table below summarises the Overlapping Tenements for EPC 2636:

Tenement type	Tenement number	Status	Date lodged or granted	Expiry date	Principal holder	Status in relation to EPC 2636
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20 June 2012

Tenement type	Tenement number	Status	Date lodged or granted	Expiry date	Principal holder	Status in relation to EPC 2636
EPC	2645	Competing application	1 July 2011	N/A	Coal Face Resources Pty Ltd	EPC application made on same day
EPP	1103	Granted	23 December 2010	31 December 2017	CH4 Pty Ltd	Granted before EPC application was made
PSL	73	Granted	17 January 2012	N/A	Arrow Bowen Pipeline Pty Ltd	Granted after EPC application was made

**EPC 2641**

The table below summarises the Overlapping Tenements for EPC 2641:

Tenement type	Tenement number	Status	Date lodged or granted	Expiry date	Principal holder	Status in relation to EPC 2641
EPM	18954	Granted	31 May 2011	30 May 2013	Navaho Gold Limited	Granted before EPC application was made
EPC	2645	Competing application	1 July 2011	N/A	Coal Face Resources Pty Ltd	EPC application made on same day
EPP	1103	Granted	23 December 2010	31 December 2017	CH4 Pty Ltd	Granted before EPC application was made
PSL	73	Granted	17 January 2012	N/A	Arrow Bowen Pipeline Pty Ltd	Granted after EPC application was made

## **Annexure E    Notice of Candidature – Noel Halgreen**

3 July 2012

The Board of Directors  
Metal Bank Limited  
Level 9, 50 Margaret Street  
SYDNEY NSW 2000

Dear Sirs

**Notice of Candidature**

In accordance with clause 11.2 of the constitution of Metal Bank Limited (ACN 127 297 170), I, Noel Thomas Halgreen, signify my intention to become a director of the Company and consent to my nomination at the upcoming meeting of shareholders to be held on or around mid-August 2012.

Yours faithfully

A handwritten signature in black ink, appearing to read 'N. Halgreen', with a stylized flourish at the end.

Noel Thomas Halgreen

# Metal Bank Limited

ACN 127 297 170

## Lodge your vote:



### By Mail:

METAL BANK AUSTRALIA LIMITED  
LEVEL 9, 50 MARGARET STREET  
SYDNEY, NSW 2000

Alternatively you can fax your form to  
Facsimile: +61 (0) 2 9078 7661

## For all enquiries call:

Telephone: +61 (0) 2 9078 7666

## Proxy Form

### Instructions

1. Every shareholder has the right to appoint some other person or company of their choice, who need not be a shareholder, to attend and act on their behalf at the meeting. If you wish to appoint a person or company other than the Chairman, please insert the name of your proxyholder(s) in the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
3. This proxy should be signed in the exact manner as the name that appears on the proxy.
4. If a shareholder appoints two proxies, each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
5. Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
6. To be effective, proxies must be delivered by shareholders as follows:  
Shareholders must deliver their proxies prior to 11.00am (AEST) on 15 August 2012 by mail to Level 9, 50 Margaret Street, Sydney, NSW 2000 or by facsimile at +61 (0) 2 9078 7674 or deliver to the Company at Level 9, 50 Margaret Street, Sydney, NSW 2000.
7. For the purposes of Regulation 7.11.37 of the Corporations Regulations the Company determines that shareholders holding shares at 11:00am (AEST) on 15 August 2012 will be entitled to attend and vote at the Meeting.
8. The Chairman intends to vote in favour of all resolutions set out in the Notice of Meeting.
9. This proxy confers discretionary authority in respect of amendments to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting.
10. This proxy should be read in conjunction with the accompanying documentation provided by management of the Company.
11. The shares represented by this proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any poll that may be called for, and if the shareholder has specified a choice in respect of any matter to be acted upon, the shares will be voted accordingly.

**Turn over to complete the form →**



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- Check all holdings by using HIN/SRN
- Update your holding details
- Reprint various documents online

# Metal Bank Limited

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'x') should advise your broker of any changes.

**Bar Code**

HIN/SRN

CODE

## Form of Proxy

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

**PLEASE NOTE:** This proxy is solicited on behalf of the management of Metal Bank Limited ACN 127 297 170 (the "Company") for use at the meeting of the shareholders of the Company to be held at Metal Bank Boardroom, Level 9.50 Margaret Street, Sydney NSW 2000 on 17 August 2012 at 11.00am (AEST) or any adjournment thereof (the "Meeting").

I/We being a member/s of Metal Bank Limited hereby appoint

**the Chairman of the meeting** **OR**

**PLEASE NOTE:** If you leave the section blank, the Chairman of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions at the Meeting and at any adjournment of that meeting.

If you have not appointed the Chairman of the Meeting as your proxy and you are appointing a second proxy please complete the following: Proxy 1 is appointed to represent \_\_\_\_\_% of my voting right and Proxy 2 is appointed to represent \_\_\_\_\_% of my total votes. My total voting right is \_\_\_\_\_ shares.

**PLEASE NOTE:** If the appointment does not specify the proportion or number of votes that the proxy may exercise, each proxy may exercise half the votes.

#### IMPORTANT VOTING EXCLUSION

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you have not directed your proxy how to vote on Resolution 6 below, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that resolution and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your vote Resolution 6 and your vote will not be counted in calculating the required majority if a poll is called on any resolution. The chairman of the Meeting intends to vote undirected proxies in favour of Resolution 6.

**With respect to any amendment or variations to the matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting, I/we confer discretionary authority on the person voting on behalf of me/us to vote as that person sees fit. At the time of printing this Form of Proxy, management knows of no such amendment, variation or other matter.**

### STEP 2 Items of Business

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

If you wish to indicate how your proxy is to vote, please tick the appropriate places below.

**FOR                      AGAINST                      ABSTAIN**

	FOR	AGAINST	ABSTAIN
Resolution 1 – To ratify the issue of 6,800,000 shares to sophisticated investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – To approve the allotment and issue of 11,400,000 shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – To approve the acquisition of Scott Creek Coal Pty Limited on the condition that resolution 4 is passed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – To approve the issue of shares as consideration for the acquisition on the condition that resolution 3 is passed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – To approve the placement of 40,000,000 shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – To approve the issue of 1,500,000 shares to Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – To approve the issue of 40,000,000 options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – To appoint Noel Halgreen as a Director of the Company on the condition that resolution 3 & 4 are passed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – To approve the change of Company name to Scott Creek Coal Limited as a special resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no choice is specified, the shareholder is conferring discretionary authority on the proxy to vote at his or her discretion. However, the Chairman intends to vote FOR each of the resolutions.

### SIGN Signing by member

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

**Individual or Member 1**

**Sole Director and Sole Secretary**

**Member 2 (if joint holding)**

**Director/Company Secretary**

**Member 3 (if joint holding)**

**Director**

/ /

**Date**