

METALS FINANCE LIMITED
ABN 83 127 131 604

Notice of General Meeting

DATE: 14 October 2014
TIME: 10:30am (AEDT)
PLACE: Level 14, 52 Phillip Street, SYDNEY NSW 2000

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

INDEPENDENT EXPERT'S REPORT: Shareholders should carefully consider the Independent Expert's Report prepared by Hall Chadwick Corporate (NSW) Pty Ltd for the purposes of the Shareholder approvals required by ASX Listing Rules and the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 3 to the non-associated Shareholders and concludes they are **FAIR AND REASONABLE** to the non-associated Shareholders.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+ 61 2) 9252 5300

Indicative Transaction Timetable

Event	Date
General Meeting	14 October 2014
Suspension of the Company's Shares from trading on the ASX (if Resolutions 1 to 5 inclusive are approved by Shareholders at the General Meeting)	14 October 2014
Closing Date of Prospectus Offer	31 October 2014
Settlement of Acquisition	7 November 2014
First day for Company to send notice to Security holders of change of holdings as a result of Consolidation	8 November 2014
Company to send holding statements out to each Security holder- Consolidation	10 November 2014
Holding statements sent out - Capital Raising	10 November 2014
Expected date for re-instatement of the Company's Shares to trading on ASX	12 November 2014

This timetable is indicative only and subject to change. The Directors of The Company reserve the right to amend the timetable without notice.

Important Information

Time and place of Meeting

Notice is given that the General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:30am (AEDT) on 14 October 2014 at:

Level 14, 52 Phillip Street, SYDNEY NSW 2000

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 10.30am (AEDT) on 12 October 2014.

Voting in person

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

Voting by proxy

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

In accordance with section 249L of the Corporations Act, members are advised that:

- (b) each member has a right to appoint a proxy;
- (c) the proxy need not be a member of the Company; and
- (d) a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

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

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

Proxy vote if appointment specifies way to vote

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

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

Transfer of non-chair proxy to chair in certain circumstances

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

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting; the proxy does not vote on the resolution,
 - (ii) the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Re-Compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company has entered into a Share Sale Agreement to acquire 100% of the issued capital in Texas and Oklahoma Coal Co Limited (**TOCC**). The acquisition of TOCC will amount to a change in the nature and scale of the Company's existing operations and will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules pursuant to ASX Listing Rule 11.1 .3.

BUSINESS OF THE MEETING

AGENDA

RESOLUTION 1 - CHANGE IN NATURE AND SCALE OF ACTIVITIES

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 2 to 5 (inclusive) for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to acquire 100% of the issued capital of TOCC on the terms and conditions set out in the Explanatory Statement and to consequently make a significant change in the nature and scale of its activities."

Short Explanation: The proposed acquisition of TOCC, if successful, will result in the Company acquiring the shares of TOCC, a company that will be engaged in the operation and development of coal projects in the United States of America and Canada. ASX has advised the Company that it is required to seek Shareholder approval to change the nature and scale of its activities by acquiring TOCC. The acquisition of TOCC will result in the Company changing its activities. ASX Listing Rule 11.1 .2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature or scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3.

Please refer to the Explanatory Statement for further details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a shareholder, if this Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

As Resolutions 1 to 5 are inter-conditional votes which are disregarded on Resolutions 2 to 5 will also be disregarded on Resolution 1.

RESOLUTION 2 - CONSOLIDATION OF CAPITAL

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 1 and 3 to 5 (inclusive), for the purposes section 254H of the Corporations Act, ASX Listing Rule 2.1 (condition 2) and for all other purposes, the issued capital of the Company be consolidated on the basis that every ten (10) existing Shares on issue be consolidated into one (1) Share and, where this consolidation results in a fraction of a Share being held by a Shareholder (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share, with the Consolidation taking effect as described in the Explanatory Statement."

Short Explanation: The Company must consolidate its capital in order to satisfy Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company's securities recommencing trading on the ASX following the Acquisition.

Voting Exclusion: As Resolutions 1 to 5 are inter-conditional, votes which are disregarded on Resolutions 1 and 3 to 5 will also be disregarded on Resolution 2.

RESOLUTION 3- ACQUISITION OF TOCC

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 1, 2, 4, and 5 (inclusive), for the purpose of ASX Listing Rules 7.1, 10.1, and 10.11 and for all other purposes, approval is given for the Company to acquire all of the issued Shares in TOCC pursuant to the terms and conditions of the Share Sale Agreement; and

- (a) *the Company to allot and issue 56,048,622 Shares (post- Consolidation) to the TOCC Shareholders (or their nominees) in proportion to their holdings in TOCC; and*
- (b) *the Company to allot and issue 26,564,605 Options to the TOCC Shareholders (or their nominees);*

on the terms and conditions set out in the Explanatory Statement."

Short Explanation: Shareholder approval is required by ASX Listing Rule 7.1 to allot shares to the Vendors. Shareholder approval is required under ASX Listing Rule 10.1 in order for an entity, or any of its child entities, to acquire a substantial asset from a related party, a subsidiary, a substantial holder of the entity, or an associate of any of these persons. Shareholders should read the explanation and disclosures in the Explanatory Statement for further details of the Acquisition.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Hall Chadwick Corporate (NSW) Pty Ltd for the purposes of the Shareholder approval required by ASX Listing Rules 10.1 and 11.1.2. The Independent Expert's Report comments on the fairness and reasonableness of the transactions contemplated by Resolution 3 to the non-associated Shareholders and concludes they are **fair and reasonable** to the non-associated Shareholders.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Vendors (or the Vendors' nominee(s)) and a party to the transaction and any associate of that party (or those parties). The Company will also disregard any votes cast on the Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution

is passed. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, if 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.

As Resolutions 1 to 5 are inter-conditional, votes which are disregarded on Resolutions 1, 2, 4 and 5 will also be disregarded on Resolution 3.

Voting Prohibition: No votes may be cast in favour of the Resolution by:

- (a) the person proposing to make the acquisition and their associates; or
- (b) the persons (if any) from whom the acquisition is to be made and their associates. Accordingly, the Company will disregard any votes cast on this Resolution by the Vendors and any of their associates.

Additional Note: The issue of Shares pursuant to Resolution 3 is conditional on ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules. As ASX requires the Company to re-comply with the admission requirements under ASX Listing Rule 11.1.3, Settlement cannot take place until the ASX's requirements have been met.

RESOLUTION 4- CAPITAL RAISING PURSUANT TO A PROSPECTUS

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 1 to 3 and 5 (inclusive), for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 25,000,000 Shares and up to 7,500,000 Options on a post-Consolidation basis on the terms and conditions set out in the Explanatory Statement."

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

As Resolutions 1 to 5 are inter-conditional, votes which are disregarded on Resolutions 1 to 3 and 5 will also be disregarded on Resolution 4.

Additional Note: The issue of Shares pursuant to this Resolution 4 is conditional on ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules. As ASX requires the Company to re-comply with the admission requirements under ASX Listing Rule 11.1.3, the issue of Shares pursuant to Resolution 5 cannot take place until the ASX's requirements have been met.

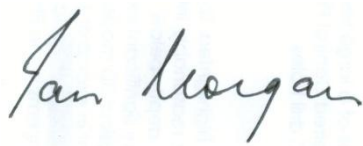
RESOLUTION 5- CHANGE OF COMPANY NAME

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

"That, subject to the passing of Resolutions 1 to 4 (inclusive), for the purpose of section 157(1) of the Corporations Act and for all other purposes, approval is given for the name Company to be changed from Metals Finance Limited to Pacific American Coal Limited with effect from Completion."

Dated: 11 September 2014

By order of the Board

A handwritten signature in dark ink, appearing to read "Ian Morgan". The signature is written in a cursive, flowing style. It is positioned over a faint, light blue rectangular stamp or watermark.

Ian Morgan

Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1 OVERVIEW OF THE TRANSACTION

1.1 Company Background

The Company was established in 2003 for the specific purpose of providing a combination of project implementation skills and finance for the development of metals recovery projects around the globe.

The Company maintains a joint venture agreement at the Barnes Hill nickel and cobalt project in Tasmania. The Company released the results from Barnes Hill optimisation study in March 2013 showing the project has favourable economics at a nickel price of US\$10 per pound. At the Company's AGM in February 2014 it was announced that, due to the extended period of low nickel prices, all expenditure on nickel projects would cease as the company sought a new direction and strategy. The Barnes Hill Joint Venture remains in good standing.

1.2 Share Sale Agreement

On 6 March 2014, the Company announced to the ASX that it had signed a Heads of Agreement (HOA) with privately owned TOCC to acquire 100% of the issued shares of TOCC.

Key Offer Terms

- (a) Shareholders will be asked to approve a consolidation of capital on the basis of 1 new Share for each existing 10 Shares. This consolidation will reduce Share capital from 73,109,576 Shares to 7,310,958 Shares.
- (b) Following consolidation Shareholders will be issued with 1 free attaching Option for each Share held. The Options will be exercisable at 25 cents on or before 31 December 2017.
- (c) In exchange for their shares in TOCC the Company will issue to TOCC shareholders 5 Shares for every 6 TOCC shares. TOCC currently has 67,258,330 shares on issue. Accordingly 56,048,622 Shares will be issued to TOCC shareholders.
- (d) TOCC shareholders will be issued with 3 Options for every 10 Shares issued to them.
- (e) Holders of existing TOCC options (9,750,000 options) will exchange their options for Options on a 1 for 1 basis.

Conditions

The Consolidation of the Shares, issue of Options to Shareholders and the issue of Shares and Options to TOCC shareholders is subject to certain conditions being achieved. These include;

- (a) completion of satisfactory mutual due diligence;
- (b) shareholder approval for the consolidation of the shares of the Company;

- (c) share purchase agreements being entered into between all TOCC shareholders and the Company;
- (d) an Independent Expert's Report commenting on the fairness and reasonableness of the transaction being obtained;
- (e) the issue of a Prospectus detailing the assets and use of funds to be raised via a capital raising;
- (f) the Company otherwise satisfying the relevant provisions of Chapters 1 and 2 of the ASX Listing rules and its securities being granted re-quotation to the ASX upon completion of the transaction; and
- (g) the obtaining of all other necessary shareholder and regulatory approvals.

1.3 Proposed capital Raising and Pro forma Capital Structure

A condition of the Transaction is the completion of a capital raising. The Company intends to raise between \$3,500,000 and \$5,000,000 pursuant to a prospectus (**Capital Raising**).

The Capital Raising will comprise the issue of up to 25,000,000 Shares at 20 cents per share to raise up to \$5,000,000 with three free attaching Options, exercisable at 25 cents each on or before 31 December 2017 for every ten Shares applied for. The minimum subscription will be 17,500,000 Shares at an issue price of 20 cents each to raise \$3,500,000.

When the Acquisition is approved and completed, TOCC shareholders will be entitled to a voting interest of between 70.8% (minimum Capital Raising) and 64.8% (maximum Capital Raising) in the Company.

On completion of the Acquisition the Company's existing non-associated Shareholders voting interest will decrease from 83.4% to between 7.5% (minimum Capital Raising) and 6.9% (maximum Capital Raising) after the Capital Raising.

The following tables show the effect on the share capital of the Company after the completion of the Acquisition:

Effect on Equity Securities	Number of Equity Securities	
	Minimum Subscription	Maximum Subscription
Ordinary shares currently on issue	73,109,576	73,109,576
Ordinary shares on issue post consolidation	7,310,958	7,310,958
Consideration Shares issued to TOCC shareholders	56,048,622	56,048,622
Capital Raising of between \$3.5m (minimum) and \$5m (maximum) at Offer Price of 20 cents per new share	17,500,000	25,000,000
Total ordinary shares on issue after Transaction	80,859,580	88,359,580
Options to Company shareholders ¹	7,310,958	7,310,958
Options to TOCC shareholders ¹	16,814,605	16,814,605
Options for TOCC options ¹	9,750,000	9,750,000
Free Options attached to Capital Raising ¹	5,250,000	7,500,000

Total securities on issue after Transaction	119,985,143	129,735,143
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¹ Options will be exercisable at 25 cents on or before 31 December 2017.

1.4 Related parties and their interests

Mr Geoff Hill

Mr Hill is a director of the Company. He is also a director of TOCC. Following completion of the Acquisition Mr Hill will be entitled to a voting interest in Shares of between 19.7% (minimum Capital Raising) and 18.0% (maximum Capital Raising) in the Company.

Gary Cochrane

Mr Cochrane is currently a director of TOCC. It is intended that after the completion of the Acquisition Mr Cochrane will be invited to join the board of the Company.

Mr Cochrane has 25 years experience in the mining, engineering and construction industries in Australia, China, Indonesia and New Guinea. He has had senior management and technical roles at operating mines in Australia and New Guinea. Mr Cochrane has spent the last 10 years as an international mining and management consultant to the coal and hard rock mining industries. Mr Cochrane was a founding investor and former director of Millennium Coal which is now an operating coal mine in Queensland.

Paul Chappell

Mr Chappell is currently a director of TOCC. It is intended that after the completion of the Acquisition Mr Chappell, will be invited to join the board of the Company.

Mr Chappell has had many years' experience in the coal industry, including as a non-Executive Director of a number of companies and in trading international commodities. He has focused particularly on solid fuels and has experience in Asian, Latin American and European coal markets. He is a Fellow of the Australian Society of Certified Practising Accountants and a Member of the Australian Institute of Company Directors.

Details of the Shares and Options that Messrs Hill, Chappell and Cochrane will hold in the Company following completion of the Acquisition are set out below.

Party	Company Shares (current expressed on a post Consolidation basis)	TOCC Shares (current)	TOCC Options (current)	Company securities (post Consolidation and completion of Acquisition)	
				Shares	Options
Geoff Hill	1,217,102	17,666,668	1,000,000	14,722,225	6,633,769

TOCC has the right to acquire up to 80% of the shares in GCI for a total purchase price of US\$1,950,000 (inclusive of any amounts paid to acquire the 30% to 47%) at any time up until 31 December 2015.

A further option extension fee of US\$50,000 is payable by TOCC to extend the option period from 31 December 2015 to 31 March 2016, which is deductible from the purchase price.

A summary of GCI financials are set out in section 7.7 of the attached Independent Experts Report.

Independent Technical Report

On 16 June 2014 the Company lodged with the ASX a detailed independent technical review of the GCI operations and the exploration tenure that TOCC has applied for. The report was prepared for the Company by GEOS Mining Services Pty Ltd.

A brief summary of the assets being acquired by the Company by way of the Acquisition is set out below. If Shareholders require further information of this aspect of the transaction they are invited to review this report, located on the Company's website www.metalsfinance.com, as it contains a comprehensive review of the GCI assets and the exploration tenure.

GCI Operations - Overview

GCI own and operate the P8 mine (**P8**) in Oklahoma USA. P8 currently produces approximately 400,000 tonnes per annum of a high energy thermal coal which is sold to a local power station under a long term supply contract.

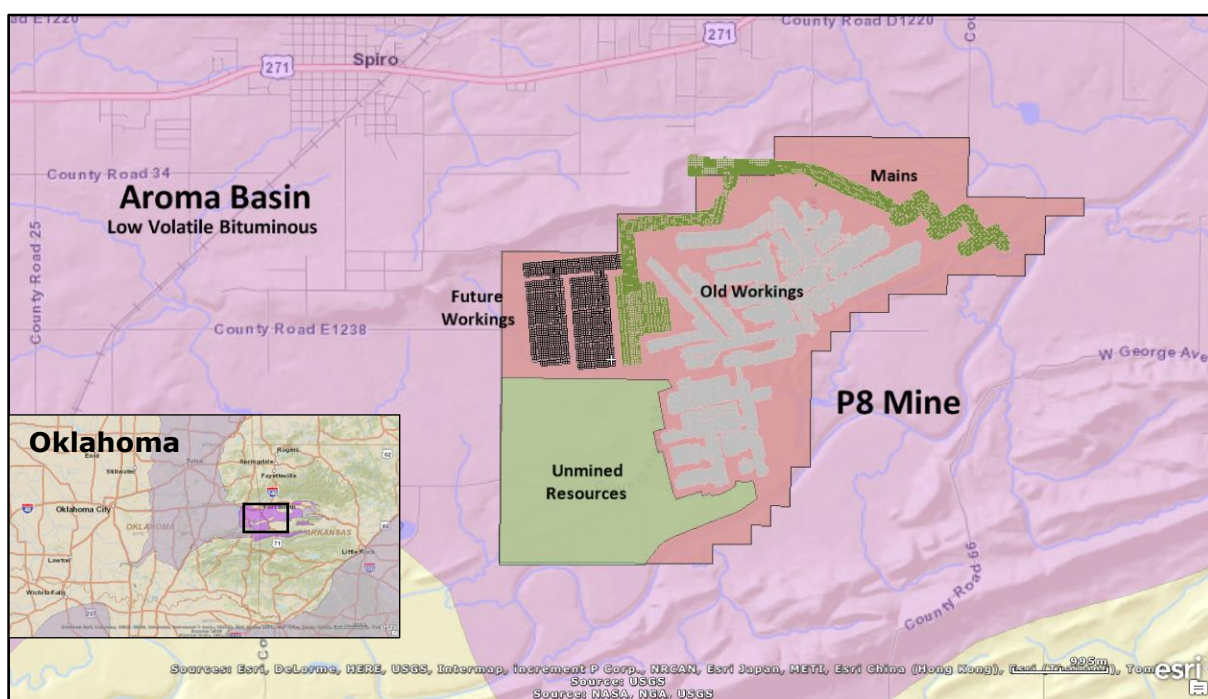
The coal characteristics at P8 support a potential PCI quality product if the coal was upgraded through a Coal Handling Preparation Plant (**CHPP**).

P8 extracts the Upper and Lower Hartshorne seams within the Arkoma Basin. The United States Geological Service has identified the coal characteristics of the region as containing low-volatile bituminous coal.

P8 is the only operating underground mine in Oklahoma and has been in operation since 2010. Prior to opening the P8 the management of GCI operated the adjacent P8 South underground mine from 2005, also within Federal Coal Lease OKNM 91190. GCI have a proven track record of sustainably operating an underground coal mine in the region for over 10 years.

A preliminary economic evaluation indicates there is the potential to uplift the underlying value of the asset by repurposing the mine from a thermal coal producer to an export metallurgical coal producer. The value uplift would be achieved by purchasing an additional modified underground super-section production unit and the installation of a CHPP to produce export quality PCI coal.

The acquisition of an interest in P8 will form the cornerstone of the Company's Oklahoma business strategy. Leveraging and learning from the local expertise and the proven capabilities of GCI, the Company will look to combine the acquisition of P8 with the mid-term exploration projects the Company has under application that are proximal to the P8 Mine.



Location of P8 Mine in the Arkoma Basin

The P8 North mine is currently producing a high ash, 10,500Btu/lb (5,837 kcal/kg) thermal product to the nearby power generation facility in Oklahoma. A range of testing conducted on raw coal and washed coal samples indicate the potential to produce a washed PCI coal product with a thermal middlings produced from the waste stream. Raw coal sample testing in the mine shows a variable CSN across the active and mined lease area ranging from 3.5 to 8.

GCI Resources - P8

P8 has quantified coal resources within the mining lease. The resources were identified in three areas within the P8N federal coal lease. The resource areas are bound by geological features and mining lease boundaries. Qualitative and quantitative work is planned to be undertaken at P8 to improve the classification of the resources to reserves.

As at February 2014 the resource statement for P8 Mine is:

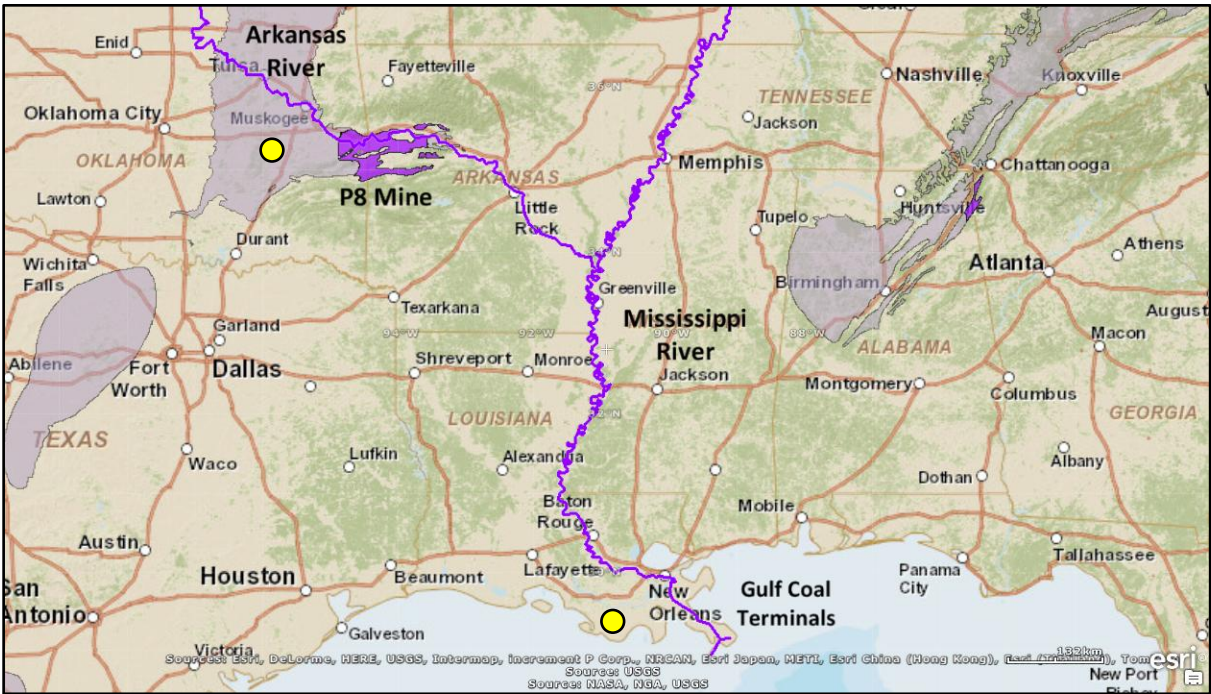
P8 Mine	Resources
	(Mt)
Measured	8.974
Indicated	4.371
Inferred	0.383
Total	13.728

Mine Plan and Development

Under the expansion phase, the Company will aim to install a CHPP within the existing lease and proximal to the current workings. This activity will be

concurrently undertaken with an exploration and assessment program designed to better define the quality parameters of P8.

It is planned to export PCI quality metallurgical coal from P8 to the port terminals located on the banks of the Mississippi River, south of New Orleans, Louisiana. Coal will initially be transported by road and then onto barges down the Arkansas and Mississippi Rivers to the Gulf of Mexico. The P8 Mine is located 35 km south of the coal barging river ports in Van Buren.



P8 Mine and river route to Gulf Export Terminals

Exploration Tenure

The Company has submitted applications for the following exploration tenement:

JORC Exploration Targets				
Hartford	Oklahoma	Arkoma	Metallurgical	87 – 117
Lafayette	Oklahoma	Arkoma	Metallurgical	41 – 54
Howe	Oklahoma	Arkoma	Metallurgical	59 – 94
Bokoshe	Oklahoma	Arkoma	Metallurgical	93 – 140
Left Fork	Colorado	Raton	Coking & Energy	136 – 204
Elko	British Columbia	Kootenay	Coking	224 – 336
South Hazell	British Columbia	Kootenay	Coking	57 – 86

Total Exploration Target (million tonnes) 697 – 1,031

Oklahoma Tenements

Phase 2 of the Company’s strategy is to expand the operational footprint in Oklahoma, USA by developing adjacent coal tenements in the Arkoma Basin. To achieve this the Company has four exploration tenements in application. Funds

from the proposed capital raising will be allocated towards a targeted regional exploration program aimed at delineating the lower and upper Hartshorne coal which produces a proven export metallurgical coal product.

The Company's exploration tenements in Oklahoma are in close proximity to each other, with the Lafayette tenement 30km to the west of P8 and the Howe C tenement 20km to the south of P8.

The region has infrastructure including rail, road and barge facilities within close proximity to the project areas. There also exist several towns offering local employment as well as business and community facilities to support and sustain the development potential of the area.

Colorado - Left Fork

In August 2012, TOCC filed for a federal coal exploration license with the United States Bureau of Land Management (BLM) in Las Animas County, Colorado, referred to as the Left Fork project area.

The application covers 16,363 acres in the Raton Basin in Southern Colorado and the coal seams of the Raton and Vermejo formations are the targets for exploration and development.

The Left Fork exploration license is located approximately 3.5 miles northwest of the city of Trinidad, 2.5 kilometres north of the town of Cokedale, and 11 kilometres southwest of the Ludlow exit on Interstate-25.

Extensive coal mining has occurred along the outcrop of the Raton and Vermejo coal measures throughout the Raton Basin both adjacent and within the exploration area. Current mining in the basin includes the idled underground complex 'New Elk' operated by Cline Mining to the west of the Company's application area.

The Company has identified an Exploration Target of 136Mt – 204Mt in accordance with the JORC Code 2012. The region has established infrastructure including rail, road and services within easy access to the project area.

Hundreds of small mines operated in the Raton Basin between about 1873 and 2002. These mines produced well over 100Mt during that period. Much of this production was coking coal destined for the Colorado Fuel and Iron coke ovens in Pueblo, Colorado. The vast majority of coal produced was mined by underground (room and pillar) methods.

British Columbia

The Company has identified a number of Coal Exploration Licence areas in the Kootenay and Peace River regions of British Columbia. The locations provide ready access to existing port, rail and road infrastructure with established routes to export markets. The Company's focus is on areas within the region that contain current mining activity and production of metallurgical and high-energy thermal coals. Following licence approvals further review and ground surveys will be undertaken to define stage 1 exploration plans for each project. Initial geological reviews and Exploration Target reports indicate a range of 281Mt – 422Mt (JORC Code compliant) with the regions containing multiple coal seams within complex regional geological setting.

The Company has lodged two Coal Exploration Licence applications on prospective areas in South East British Columbia, Hazell South and Elko (Crowsnest Coalfield). The Company is working with the provincial government and the applications are

currently being reviewed by the BC provincial Government Department of Mines and Energy as part of the approvals process. The area is known for high quality coking, PCI and thermal coal with the licence areas sharing boundaries with producing mines and other exploration projects.

Kootenay, Elko

The East Kootenay Coalfields comprise three separate fields extending from the Montana border northward and known respectively as Flathead, Crowsnest, and Elk Valley Coalfields. These are the most important coalfields of the province, having produced, since 1898, over 500Mt of mainly metallurgical coal. All three fields are underlain by the Jura-Cretaceous Kootenay Group, which contains the 450 to 550 metres thick coal-bearing Mist Mountain Formation. Coal seams are found throughout the formation though the thicker seams occur lower in the section.

The formation contains from 4 to over 30 seams, which make up from 8% to 12% of the thickness of the formation. Cumulative coal thickness ranges up to 70 metres. The area has experienced moderate to intense folding and thrust faulting, which has caused repetitions and structural thickening of seams. Coal quality ranks from low to high-volatile A bituminous, though most of the coal is medium-volatile bituminous and of metallurgical grade.

In January 2013, TOCC filed three coal exploration licenses with the British Columbia Ministry of Energy and Mines covering the Elko project area. The Elko exploration licenses is in the southern portion of the Kootenay coal region and lies within an area bordered to the east by the Cline Mining Lodgepole project, to the North by the Flathead Watershed and to the west the Dominion coal block. The Elko project area consists of the three exploration licenses covering a total area of approximately 2,995 ha.

The Elko project area is located approximately 30 kilometres south east of the town of Fernie, British Columbia.

British Columbia – Kootenay, South Hazell

In March 2012, TOCC filed three coal exploration licenses with the British Columbia Ministry of Energy and Mines referenced as the South Hazell project area. The South Hazell exploration licenses reside in two areas known as the Taylor South area and the Tent Mountain area in the Land district of Kootenay in the Fort Steel Mining Division. The Company divided the South Hazell project area into three exploration licenses covering a total area of approximately 2,685 ha. The South Hazell project area is located approximately 23 km east-south-east of the town of Fernie, British Columbia and approximately 10.5 km south-west of the Corbin, British Columbia town site. The South Hazell exploration licenses are also situated adjacent to the Dominion Coal Block

Peace River

The Company has lodged two Coal Exploration Licence applications on prospective areas in North East British Columbia, Peace River. The region is well known for the production of premium metallurgical coal from existing mining operations and it is also a region of intense exploration activity due to the recent discoveries of large coking coal deposits. The applications are in close proximity to rail infrastructure that connects the basin to export ports on the west coast.

1.6 Advantages of the Acquisition

The acquisition of TOCC offers shareholders;

- (a) the opportunity to become shareholders in a larger business. The Company is operating at a loss and has limited financial capability.
- (b) a portfolio of exploration and development projects and an option to acquire a producing, profitable coal mine in Oklahoma. This will diversify the Company's portfolio of businesses and has the potential to provide beneficial synergies to both companies;
- (c) industry experience and business relationships brought to the Company by the TOCC owners that may assist the Company with its changing business strategy;
- (d) the potential to provide profits and operating cash flows, as TOCC management advise their coal projects are advanced, and located in coal areas with scale; and
- (e) greater market capitalisation that may provide for greater liquidity of security trading.

1.7 Disadvantages of the Acquisition

The non-associated directors consider the following non-exhaustive list of disadvantages may be relevant to a Shareholders decision on how to vote on the proposed resolutions:

- (a) the acquisition of TOCC will result in the issue of additional Shares and Options to Vendors which will have a dilutionary effect on the holdings of existing Shareholders;
- (b) the Company will be changing the nature of its activities to include becoming a company focused on coal, resources and mining activities, which may not be consistent with the objectives of all Shareholders;
- (c) current Shareholders will have their interests in the Company diluted by the Consolidation, Capital Raising and any further equity funding undertaken by the Company;
- (d) TOCC and GCI may not continue to be commercially viable and thus losses may be incurred;
- (e) an opportunity may be lost to obtain a takeover premium for the company's shares unless TOCC sold their interest in the Company or subscribed for a 100% interest; and
- (f) there are other risks associated with the Acquisition, some of which are set out in section 1.8 below.

1.8 Risk factors

Shareholders should be aware that if the proposed Acquisition is approved, the Company will be subject to various risk factors. Based on the information available, a list of the identified major risk factors is set out below. The list is not exhaustive.

Risks relating to the change in nature and scale of activities

There are risks associated with a change in the nature of the Company's activities and associated with its proposed business and assets.

The acquisition of TOCC constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1

and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for reinstatement of its Shares to trading on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

Risks relating to the Company's operations and Assets

(a) Reliance on the coal industry

Any reduction in demand for coal may negatively affect the growth prospects, operating results and financial performance of TOCC, and consequently the Company.

(b) Reliance on key management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. The Company's success is and will depend on the Company competencies of its key management team to operate in the mining industries. The loss of one or more of these persons could adversely affect the growth prospects, operating results and financial performance of the Company.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified personnel on a timely basis or retain its key management personnel.

(c) Reliance on key client relationships

TOCC have established and will continue to establish important client relationships within the mining and resource industries. The loss of one or more key clients could adversely affect the growth prospects, operating results and financial performance of TOCC, and consequently the Company.

Further, any reduction in operations or contractual default by a key client could adversely affect the operating results and the financial performance of TOCC, and consequently the Company.

(d) Contractual disputes and Litigation

As the Company contracts with, and for, third parties there is a risk that the Company or its subsidiaries may from time to time have disputes with relevant third parties (including payment disputes) or be a party to litigation.

Whilst the Company will seek to recover the full amount of any payment disputes, by way of alternative dispute resolution or through litigation (and with the assistance of claims consultants where deemed necessary), there can be no guarantee that the Company will be able to recover any or all amounts disputed. The adverse outcome of a dispute in respect of a material contract or claim may have an adverse impact on the Company's financial performance or position.

(e) Management of growth

The Company expects to continue to experience growth in the scope and scale of its operating activities and employee and/or contractor numbers. To effectively manage its growth, the Company will need to continue to develop and maintain its operational and financial systems and continue to train, expand and manage its employee base.

(f) Performance of subcontractors

GCI contracts alongside and/or subcontracts to third parties in limited cases requiring specialist services that TOCC cannot perform in-house. The Company may be exposed to liability where those third parties do not perform their obligations under those contracts, in which case the Company may also have liability for that non-performance or be required to source resources from additional providers. To mitigate these risks, the Company may seek to include provisions limiting its liability under the relevant contract and to ensure that the third party contractors are competent, creditworthy and of sound reputation.

(g) Disruption of business operations

TOCC, the Company and their clients are exposed to a range of operational risks relating to both current and future operations. Such operational risks include loss or damage to operating assets and equipment, equipment failures or breakdowns, human error, accidents, information system failures, external services failure, industrial action or disputes, inclement weather (including tornadoes) and natural disasters. While the Company endeavours to take appropriate action to mitigate these operational risks and insure against many of them, it cannot completely remove all possible risks that may have an adverse impact on the financial performance and/or financial position of the Company.

(h) Additional requirements for capital

The Company may require in the future further financial resources in addition to amount proposed to be raised under the Capital Raising and as the Offer is not underwritten there is no guarantee the Company will be able to raise the full subscription sought. Any additional equity financing will relatively dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the growth, scale or scope of its operations.

General risks

(a) General economic and political Risks

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

(b) Competition risk

The Company's current and future potential competitors include companies with substantially greater resources. The Company may not be able to compete successfully against current or future competitors where

aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's growth prospects, operating results and financial performance.

(c) Insurance risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect of the business, financial condition and results of the Company.

Insurance against all risks associated with operational and contract services is not always available and where available the costs can be prohibitive.

To mitigate these risks, the Company will seek to include provisions limiting its liability under each relevant contract it enters into as part of its operations.

(d) Market risk

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

- (i) general economic outlook; interest rates and inflation rates; currency fluctuations; commodity price fluctuations;
- (ii) changes in investor sentiment toward particular market sectors; the demand for, and supply of, capital; and
- (iii) terrorism and other hostilities.

(e) Government

Government action or policy change, in Australia and any country the Company provides services to the resources sector, particularly in relation to lands and infrastructure, compliance with environmental regulations, taxation and royalties, may adversely affect the Company's operations and financial performance.

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

1.9 Statement on Exploration targets and Mineral Resources

The statements on Exploration Targets and Mineral Resources contained in this Notice of Meeting are extracted from the Report entitled "Independent Technical Review and Geological Report" prepared by Geos Mining Mineral Consultants, dated 20 May 2014, released to the ASX on 16 June 2014 and available on the Company's website. The Company confirms that it is not aware of any new information or data that may affect the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have

not materially changed. The Company confirms that the form and context in which the Competent Persons findings are presented has not been materially modified from the original market announcement.

2 RESOLUTION 1 - CHANGE IN NATURE AND SCALE OF ACTIVITIES

2.1 General

Resolution 1 seeks Shareholder approval for a change to the nature and scale of the Company's activities which will result from the Acquisition.

A detailed description of the Acquisition is set out above at section 1 of the Explanatory Statement.

Resolution 1 is conditional on Resolutions 2 to 5 (inclusive) in this Notice of Meeting being approved.

2.2 ASX Listing Rule 11.1

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

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the Official List of ASX.

Given the change in the nature and scale of the Company's activities upon completion of the Acquisition, the Company is required to:

- (d) obtain Shareholder approval; and
- (e) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval pursuant to Resolution 1 for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

2.3 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

On the basis that approval pursuant to Resolution 1 is obtained, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules.

In accordance with these requirements, the Company will issue a prospectus in respect of the proposed Capital Raising the subject of Resolution 4.

The Company will request a trading halt on the day of the General Meeting in respect of the approval of the Acquisition. If Shareholders approve the transactions the subject of this Notice trading in the Company's securities will be suspended until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. It is anticipated that the Company's securities will be reinstated to trading on ASX on or around 12 November 2014. If Shareholders do not approve the Acquisition pursuant to Resolution 1 and/or any or all of Resolutions 2 to 5 (inclusive), the Company's

Shares will not be suspended and will resume trading following the release of the results of the General Meeting to the market.

Settlement in respect of the Acquisition and issue of Shares pursuant to the Capital Raising are conditional on ASX confirming the Company has (or will, subject only to Settlement occurring) re-complied with Chapters 1 and 2 of the ASX Listing Rules.

3 RESOLUTION 2 - CONSOLIDATION OF CAPITAL

3.1 Background

The Company is seeking Shareholder approval to consolidate the number of Shares on a one (1) for ten (10) basis (**Consolidation**). The Consolidation of the Company's issued capital is required to ensure that the Company can comply with Chapters 1 and 2 of the Listing Rules and obtain reinstatement of its Shares to trading on the Official List of ASX.

If Resolution 2 is passed, the number of Shares on issue will be reduced from 73,109,576 to approximately 7,310,958.

The Company currently has no options on issue.

Resolution 2 is conditional on Resolutions 1 and 3 to 5 (inclusive) in this Notice of Meeting being approved.

3.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by a resolution passed in a general meeting of shareholders, convert all or any of its shares into a larger or smaller number of shares.

3.3 Holding statements and Option certificates

As from the effective date of Resolution 2 (being the date of the General Meeting), all holding statements or certificates, as applicable, for Shares will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Shares. After the Consolidation becomes effective, the Company will arrange for new holding statements or certificates, as applicable, to be issued to Shareholders.

3.4 Effect on capital structure

The effect the Acquisition, the Consolidation, the Capital Raising and the other transactions contemplated within the Notice will have on the capital structure of the Company is set out in section 1 of this Explanatory Statement.

3.5 Fractional entitlements and taxation

Not all Shareholders will hold that number of Shares which can be evenly divided by ten (10). Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share.

It is not considered that any taxation consequences will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation, and neither the Company, nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation consequences arising from the Consolidation.

3.6 Timetable

The indicative timetable for the Consolidation is as follows:

Event	Date
Company requests trading halt from ASX prior to General Meeting	14 October 2014
Trading halt in respect of Company's Shares	14 October 2014
General Meeting	14 October 2014
Suspension of trading of Company's Shares (if Resolutions 1 to 5 (inclusive) are approved by Shareholders at the General Meeting)	14 October 2014
Notification to ASX of results of General Meeting	14 October 2014

*The Company's Shares will be suspended from trading on this date, so deferred settlement trading will not occur.

4 RESOLUTION 3- ACQUISITION OF TOCC

4.1 Background

As outlined in the Explanatory Statement, the Company has entered into the Share Sale Agreement with the Vendors whereby the Company has agreed to acquire and the Vendors have agreed to sell 100% of the issued capital in the TOCC.

Under the Share Sale Agreement, the Company will, subject to Shareholder approval allot and issue the Consideration Shares and the Consideration Options (together the Consideration Securities) to the Vendors (or their nominees). Details of the proposed issue of the Consideration Shares and Consideration Options, along with a summary of the key terms of the Share Sale Agreement are set out in section 1 of the Explanatory Statement. Further details in relation to the Acquisition and TOCC are also outlined in the Explanatory Statement.

Consideration for the Acquisition.

Entities associated with Mr Geoff Hill, a current director of the Company, Mr Paul Chappell and Mr Gary Cochrane (proposed directors of the Company) will be entitled to receive Consideration Securities in their capacity as Vendors. For the purposes of the discussion of this resolution Messrs Hill, Chappell and Cochrane and their related entities are hereinafter referred to as the **Related Party Vendors**. Details of the Shares and Options to be issued to the Related Party Vendors are set out in Section 1 of the Explanatory Memorandum.

Resolution 3 seeks Shareholder approval:

- (a) for the allotment and issue of the Consideration Securities to the Vendors (or their nominees) pursuant to ASX Listing Rule 7.1 in accordance with the terms and conditions of the Share Sale Agreement; and
- (b) pursuant to ASX Listing Rule 10.1 for the Company to acquire all of the issued capital in TOCC held by the Related Party Vendors in accordance with the terms and conditions of the Share Sale Agreement; and
- (c) for the allotment and issue of the Consideration Securities to the Related Party Vendors (or their nominees) pursuant to ASX Listing Rule 10.11 on the basis that those Vendors are related parties of the Company.

Resolution 3 is conditional on Resolutions 1 to 2 and 4 to 5 (inclusive) in this Notice of Meeting being approved.

In addition, the Consideration Securities will only be issued if ASX has confirmed that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules.

4.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

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

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

The Acquisition and the issue of the Consideration Securities constitute giving a financial benefit to the Related Party Vendors a related party of the Company by virtue of the reasons outlined in section 1 of the Explanatory Statement above.

Mr Bird and Mr Anthon, the directors of the Company who do not have a material personal interest in Resolution 3 consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Acquisition and the issue of the Consideration Securities on the basis that the transaction has been negotiated on terms that would be reasonable in the circumstances if the parties were dealing at arm's length, and further based on the Independent Experts Report set out in Annexure A which concludes that the Acquisition is fair and reasonable to the non-associated Shareholders.

4.3 ASX Listing Rule 7.1

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

The effect of Resolution 3 will be to allow the Directors to issue the Shares and Options comprising the Consideration Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Shares to be issued is 56,048,622 Shares (on a post- Consolidation basis) and 26,564,605 Options;
- (b) the Shares and Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price of the Shares will be 20 cents once the Consolidation has been completed. The Options are free attaching options and have no issue price;
- (d) the Shares and Options will be issued pursuant to an agreement acquire the shares of TOCC;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The Options are options to acquire Shares in the Company at an exercise price of 25 cents and otherwise on the terms and conditions set out in Schedule 1; and
- (f) no funds are to be raised by the issue of Shares and Options to TOCC shareholders and the Shares and Options are being issued as consideration for the acquisition of the shares of TOCC.

4.4 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a related party, a subsidiary, a substantial holder of the entity, or an associate of any of these persons, without the prior approval of holders of the entity's ordinary shareholders.

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

As the consideration is 5% or more of the equity interests, the Acquisition amounts to a substantial asset.

Requirement for Shareholder approval

On the basis that:

- (a) the Related Party Vendors are related parties of the Company; and
- (b) the Acquisition is for a substantial asset,

the Company is required to seek Shareholder approval under ASX Listing Rule 10.1 in respect of the Acquisition.

4.5 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities 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 obtained unless an exception in ASX Listing Rule 10.12 applies.

As the issue of the Consideration Securities involves the issue of securities to the Related Party Vendors, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 3:

- (a) the following Consideration Securities will be issued to the Related Party Vendors or their nominees:

Party	Shares	Options
Mr Geoff Hill	14,722,225	5,416,667
Mr Paul Chappell	1,555,556	1,446,667
Mr Gary Cochrane	2,500,000	2,000,000

- (b) The date by which the Company will issue the Consideration Securities will be 10 November 2014 subject to the Company applying by waiver to extend the date of the issue if the Consideration Securities cannot be issued by this time.
- (c) The maximum number of Consideration Securities to be issued to the Related Party Vendors (or their nominees) is as per paragraph (a) above.
- (d) Shareholder approval pursuant to ASX Listing Rule 10.11 is sought on the basis that the Related Party Vendors are related parties of the Company by virtue of the reasons outlined in section 1 of the Explanatory Statement above.
- (e) The Consideration Securities will be issued at a deemed issue price of 20 cents per Shares in consideration for the Acquisition of TOCC by the Company from the Vendors.
- (f) The Consideration Securities issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and free attaching Options.
- (g) No funds will be raised from the issue of the Consideration Securities.

5 RESOLUTION 4- CAPITAL RAISING PURSUANT TO A PROSPECTUS

5.1 General

Resolution 4 seeks Shareholder approval for the allotment and issue of up to 25,000,000 Shares on a post-Consolidation basis at an issue price of \$0.20 (20 Cents) to raise up to \$5,000,000.

Additionally the Company will issue free attaching Options on the basis of three Options for each ten Shares subscribed for.

The Capital Raising will be undertaken via the issue of a prospectus.

The Company intends to use the funds from the Capital Raising towards:

- (a) acquire an interest in GCI;
- (b) provide working capital for the future operations of TOCC and the Company's; and
- (c) fund capital raising costs.

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

The effect of Resolution 4 will be to allow the Directors to issue the Shares and Options comprising the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 4 is conditional on Resolutions 1 to 3 and 5 (inclusive) in this Notice of Meeting being approved. In addition, the Shares and Options to be issued pursuant to the Capital Raising will only be issued if the ASX has confirmed that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules.

Technical information required by ASX Listing Rule 7.1

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

- (d) the maximum number of Shares to be issued is 25,000,000 Shares (on a post- Consolidation basis) and 7,500,000 Options;
- (e) the Shares and Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (f) the issue price of the Shares will be 20 cents once the Consolidation has been completed. The options are free attaching options and have no issue price;
- (g) the Shares and Options will be issued pursuant to a prospectus and allocated at the discretion the Directors. No related party of the Company will participate in the Capital Raising;
- (h) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (i) the Options are options to acquire Shares in the Company at an exercise price of 25 cents on or before 31 December 2017 and otherwise issued on the terms and conditions set out in Schedule; and

- (j) the Company intends to use the funds raised from the Capital Raising to acquire shares in GCI and provide additional working capital to support TOCC and the Company's future operations and fund capital raising costs.

6 RESOLUTION 5- CHANGE OF COMPANY NAME

Going forward the Company's main focus will be the development of its coal assets in North America. Accordingly the Board proposes to change the name of the Company to "Pacific American Coal Limited" as it will more accurately reflect the focus of the Company.

Resolution 5 seeks Shareholder approval to change the Company's name.

GLOSSARY

\$ means Australian dollars.

Acquisition means the acquisition by the Company of TOCC (including the Business) pursuant to the Share Sale Agreement.

ASIC means the Australian Securities and Investments Commission.

Assets means the assets held by TOCC, further details of which are set out in section 1.5 of the Explanatory Statement.

Associate has the meaning given to that term in the *Income Tax Assessment Act 1936* (Cth).

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors.

Business means the business operated by TOCC and includes the Assets.

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

Capital Raising means the issue of up to 25,000,000 Shares on a post-Consolidation basis by the Company as described in section 1.3 of the Explanatory Statement and contemplated by Resolution 4.

Company or the Company means Metals Finance Limited ABN 83 127 131 604.

Conditions means the conditions to the Acquisition as set out in section 1.2 of the Explanatory Statement.

Consideration Options means the options to acquire Shares exercisable at 25 cents at any time before 31 December 2017.

Consideration Securities means the Consideration Shares and the Consideration Options.

Consideration Shares has the meaning given to it in section 1.2(c) of the Explanatory Statement.

Consolidation means the consolidation of the issued securities of the Company existing at the date of this notice on a one (1) for ten (10) basis (rounded up to the nearest whole number), which consolidation is proposed to become effective on the date Resolution 2 is passed.

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

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

General Meeting means the meeting convened by the Notice of Meeting.

Independent Expert means Hall Chadwick.

Independent Expert's Report means the report prepared by the Independent Expert and annexed to this Notice as Annexure A.

Issue Price has the meaning given to it in section 1.3 of the Explanatory Statement.

TOCC or Texas and Oklahoma Coal Co Ltd.

Notice of Meeting or Notice of General Meeting means this notice of General Meeting including the Explanatory Statement.

Official List means the Official List of the ASX. Option means an option to acquire a Share. Optionholder means a holder of an Option.

Options means options to acquire Shares exercisable at 25 cents on or before 31 December 2017 and otherwise issued on the terms set out in Schedule 1.

Related Directors has the meaning given to it in section 1.4 of the Explanatory Statement.

Related Party or Related Parties has the meaning given to it in section 228 of the Corporations Act or ASX Listing Rule 19.12, as applicable.

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

Securities mean Shares and Options.

Settlement means the completion of the Company's acquisition of TOCC in accordance with the terms and conditions of the Share Sale Agreement on the Settlement Date.

Settlement Date means the date on which completion of the Company's acquisition of TOCC occurs in accordance with the terms and conditions of the Share Sale Agreement.

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

Shareholder means a holders of Shares.

Share Sale Agreement means the share sale agreement entered into by the Company with the Vendors, and TOCC pursuant to which the Company has agreed to acquire and the Vendors have agreed to sell 100% of the share capital in TOCC (as summarised in section 1.2 of the Explanatory Statement).

Vendors mean the shareholders of TOCC.

Entitlement

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

Exercise Price

The exercise price of each Option is 25 cents.

Expiry Date

Each Option has an expiry date of 31 December 2017.

Exercise Period

The Options are only exercisable during the exercise period (being from the date of issue to the expiry date set out in the Terms and Conditions of Options section).

Notice of Exercise

The Options may be exercised by notice in writing to the Company. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

Timing of issue of Shares

After an Option is validly exercised, the Company must, within, 20 Business Days of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the option:

- (a) issue and allot the Shares; and
- (b) do all such acts matters and things to obtain the grant of Official Quotation of the Shares on ASX no later than 5 Business Days after issuing the Shares.

Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then Shares of the Company.

Official Quotation of Shares on exercise Application will be made by the Company to ASX for Official Quotation of the Shares issued upon the exercise of the Options.

Official Quotation of Options

Application for Official Quotation of the Options will be made by the Company.

Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{(N+1)}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders will be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

Options transferable

The Options are transferable.

ANNEXURE A- INDEPENDENT EXPERT'S REPORT

1 September 2014

The Directors
Metals Finance Limited
Level 14, 52 Phillip Street
SYDNEY NSW 2000

Dear Sirs,

**Independent Expert's Report on the proposal to acquire 100% of
the Issued Capital of Texas & Oklahoma Coal Company Limited**

1. INTRODUCTION

Background

- 1.1 Metals Finance Limited ("MFC" or "the Company") is a Sydney based company listed on the Australian Securities Exchange ("ASX"). MFC is actively seeking out new investment opportunities capable of bringing value to MFC shareholders.
- 1.2 MFC has signed a Heads of Agreement to acquire 100% of the issued capital of Texas & Oklahoma Coal Company Limited ("TOCC"), subject to a number of conditions, including shareholder and regulatory approvals.
- 1.3 TOCC is an unlisted public company that is focused on developing substantial coking coal projects in Canada and the United States. MFC Chairman, Geoff Hill, is also Chairman of TOCC.
- 1.4 The proposed transaction involves the acquisition of 100% of the equity of TOCC from the shareholders of TOCC ("TOCC shareholders" or "Vendors"). Consideration for the acquisition of TOCC will comprise the issue of MFC shares and options.
- 1.5 Mr. Geoff Hill, a director of the Company is also a director and shareholder of TOCC. Accordingly, the Vendors are related parties of the Company.
- 1.6 The acquisition of TOCC by MFC as further detailed in section 2, is referred to in this report as the "Transaction".
- 1.7 In this report, currency is Australian dollars unless stated otherwise.

Opinion

- 1.8 In our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of MFC.

HALL CHADWICK
CORPORATE (NSW) LIMITED

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- 1.9 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

Purpose of Report

- 1.10 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of MFC other than those associated with the TOCC shareholders (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.11 HCC understands and has agreed that this report will be included in or accompany the notice to convene a meeting of MFC shareholders, to assist the Non-Associated Shareholders in their consideration of the Transaction.

2. OUTLINE OF THE PROPOSED TRANSACTION

- 2.1 The Transaction involves the Company's acquisition of 100% of the issued capital of TOCC, comprising:
- (a) the shares of TOCC (67,258,330 TOCC Shares); and
 - (b) options issued by TOCC for shares in TOCC (9,750,000 TOCC Options).
- 2.2 The consideration for the Transaction will comprise:
- a) the issue to TOCC shareholders of five MFC shares (post consolidation) for each six TOCC shares (56,048,622 MFC shares);
 - b) the issue of one MFC Option for each TOCC Option (9,750,000 options); and
 - c) the issue to TOCC shareholders of 3 MFC Options for every ten MFC Shares issued (16,814,605 MFC options – 56,048,622 x 3/10 subject to rounding).
- 2.3 A condition of the Transaction is the consolidation by MFC of current shareholding of 73,109,576 on the basis of 1 share for each existing 10 shares, giving MFC an issued capital of approximately 7,310,958 shares on issue. Following consolidation MFC shareholders will be issued 1 free option for every newly consolidated share.
- 2.4 A condition of the Transaction is the completion of a capital raising of between \$3,500,000 and \$5,000,000 ("Capital Raising"). The Capital Raising will comprise the issue of up to 25,000,000 shares at \$0.20 per share to raise up to \$5,000,000 with 3 free attaching options, exercisable at \$0.25 each on or before 31 October 2017 for every 10 shares applied for. The minimum subscription is 17,500,000 shares at an issue price of \$0.20 each to raise \$3,500,000 before the costs of the issue.
- 2.5 At completion of the Transaction not less than two representatives of TOCC will be invited to join the board of MFC. Additionally the reconstructed board will look to appoint an Executive Director and/or Managing Director after the completion of the transaction.
- 2.6 The following tables show the effect on the share capital of MFC after the Transaction:

Effect on Equity Securities	Number of Equity Securities	
	Minimum Subscription	Maximum Subscription
Ordinary shares currently on issue	73,109,576	73,109,576
Ordinary shares on issue post consolidation	7,310,958	7,310,958
Consideration Shares issued to TOCC shareholders	56,048,622	56,048,622
Capital Raising of between \$3.5m (minimum) and \$5m (maximum) at Offer Price of \$0.20 per new share	17,500,000	25,000,000
Total ordinary shares on issue after Transaction	80,859,580	88,359,580
Options to MFC shareholders ¹	7,310,958	7,310,958
Options to TOCC shareholders ¹	16,814,605	16,814,605
Options for TOCC Options ¹	9,750,000	9,750,000
Free Options attached to Capital Raising ¹	5,250,000	7,500,000
Total equity securities on issue after Transaction	119,985,143	129,735,143

¹ MFC options will be exercisable at \$0.25 with a maximum exercise period of 3 years.

- 2.7 When the Transaction is approved and completed, including the minimum Capital Raising, TOCC shareholders will be entitled to a voting interest of between 70.8% (minimum Capital Raising) and 64.8% (maximum Capital Raising) in MFC, or between 70.9% (minimum Capital Raising) and 65.6% (maximum Capital Raising) on a fully diluted basis. Geoffrey Hill, director and shareholder of TOCC, will be entitled to a voting interest of between 19.7% (minimum Capital Raising) and 18.0% (maximum Capital Raising) in MFC after the Transaction, or between 18.8% (minimum Capital Raising) and 17.4% (maximum Capital Raising) on a fully diluted basis, assuming he or any associate does not subscribe for any shares under the Capital Raising.
- 2.8 No single shareholder of TOCC will exceed a 20% voting interest in MFC post Transaction.
- 2.9 When the Transaction is approved and completed, MFC's existing Non-Associated Shareholders voting interest will decrease from 83.4% to between 7.5% (minimum Capital Raising) and 6.9% (maximum Capital Raising) after the Capital Raising, or between 10.2% (minimum Capital Raising) and 9.4% (maximum Capital Raising) on a fully diluted basis.

STRUCTURE OF REPORT

Our report is set out under the following headings:

3	PURPOSE OF REPORT
4	OPINION
5	BASIS OF EVALUATION
6	BACKGROUND
7	OVERVIEW OF TOCC
8	OVERVIEW OF MFC
9	VALUATION METHODOLOGIES
10	VALUE OF TOCC
11	VALUE OF MFC
12	ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
13	CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

I	SOURCES OF INFORMATION
II	STATEMENT OF DECLARATION & QUALIFICATIONS
III	FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of MFC of the fairness and reasonableness of the Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the transaction are fair and reasonable to the MFC shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 For the Transaction to be fair, the value of the TOCC shares and options being acquired must be equal to or greater than the value of the consideration, being MFC shares and options. To be reasonable the shareholders must obtain an overall benefit if the transaction proceeds. In forming an opinion as to whether the Transaction is fair and reasonable, the following factors have been considered:
- the underlying value of MFC shares and options to be issued as consideration to TOCC;
 - the underlying value of TOCC shares and options to be acquired by MFC;
 - the likely market price and liquidity of MFC shares if the Transaction is not implemented;
 - the likelihood of an emergence of an alternative proposal that could realise better value for MFC Shareholders.
- 3.5 This report has been prepared to satisfy the requirements of the Australian Securities Exchange ("ASX") Listing Rules.

ASX Listing Rules

- 3.6 Mr. Geoff Hill, a director of the Company is also a director and shareholder of TOCC. Accordingly, the Vendors are related parties of the Company.
- 3.7 ASX Listing Rule 10.1 prescribes in general terms that the Company must not acquire a substantial asset from a Related Party or a substantial holder, or an associate of a Related Party or a substantial holder, without Shareholder approval. Listing Rule 10.11 provides that the Company must not issue securities to a Related Party, without Shareholder approval. ASX Listing Rule 10.10 requires a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to holders of MFC ordinary securities whose votes are not to be disregarded.
- 3.8 The Transaction constitutes a significant change in the nature and scale of the Company's activities and a change of Company name to American Pacific Coal. ASX Listing Rule 11.1 sets out the requirements an entity must adhere to when undergoing a change to the

nature or scale of their activities. The entity must provide the ASX with information regarding the change and its effect on future potential earnings and must ensure approval is obtained from the shareholders to effect the change of activities. The Transaction is such a proposed change.

Corporations Act Requirements

- 3.9 As no single shareholder of TOCC will exceed a 20% voting interest in MFC post Transaction our report is not required under Section 611 of the Corporations Act.
- 3.10 The non-associated Directors of MFC consider that the Transaction is being undertaken on commercial and arm's length terms. Accordingly although Mr Hill (and the incoming directors for TOCC) are related parties, the Company is not seeking Chapter 2E approval relating to the provision of a financial benefit.

4. OPINION

- 4.1 In our opinion, the proposed Transaction to acquire all of the issued shares and options of TOCC with consideration being the issue of MFC shares and options, is fair and reasonable to the Non-Associated Shareholders of MFC.
- 4.2 Our opinion is based solely on information available as at the date of this report.
- 4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

- 4.4 According to RG 111, for the Transaction to be fair, the value of the TOCC shares and options being acquired must be equal to or greater than the value of the consideration, being MFC shares and options. Our fairness assessment has been based on comparing the consideration offered to the value of TOCC. Since TOCC is acquiring control of MFC, our assessment of the value of MFC incorporates a premium for control.
- 4.4.1 Based on the analysis contained in section 10 of this report, the indicative value of TOCC is between \$7,286,321 and \$10,088,750, with a midpoint value of **\$8,687,534** as at the date of this report.
- 4.4.2 Based on the analysis contained in section 11 of this report, the indicative value of the consideration being paid by MFC for 100% of TOCC is between \$3,920,774 and \$5,333,956, with a midpoint value of \$4,640,647, as shown in the following table:

Valuation of Consideration	Shares	Low	High	Midpoint
MFC Share value ^{a)}		0.060	0.080	0.070
MFC Option value ^{b)}		0.021	0.032	0.026
MFC Shares to TOCC	56,048,622	3,362,917	4,483,889	3,923,403
MFC Options to TOCC	16,814,605	353,107	538,067	453,994
TOCC Options	9,750,000	204,750	312,000	263,250
		3,920,774	5,333,956	4,640,647

- a) Share value on a post-consolidation control basis, as determined at section 11.3;
- b) Value for MFC options with an exercise price of \$0.25 a maximum exercise period of 3 years, as determined at section 11.4. The above table only includes the options being issued to TOCC shareholders and option holders, as a cost of the Transaction. We note new MFC options will also be issued to MFC shareholders as part of the consolidation of shares as detailed at section 2.3.
- 4.4.3 Based on the figures in the tables above, the midpoint value attributed to TOCC of **\$8,687,534** exceeds the value of consideration being paid by MFC, with a midpoint of **\$4,640,647**.
- 4.4.4 Our valuation assessment above is based on the value per MFC ordinary share prior to the Transaction inclusive of a premium for control. In order to assess whether the Transaction is fair, we also need to compare the pre-transaction value per share of MFC

on a control basis with the post-transaction value per share of MFC on a minority basis. This is shown in the table below:

MFC Value and Opinion	Low	High	Midpoint	Diluted
Control Value per Equity Security	\$ 0.060	\$ 0.080	\$ 0.070	\$ 0.070
Minimum Capital Raising				
Shares on issue, post consolidation	7,310,958	7,310,958	7,310,958	7,310,958
Control valuation, pre-Transaction	\$ 438,657	\$ 584,877	\$ 511,767	\$ 511,767
Valuation of TOCC	\$ 7,286,321	\$ 10,088,750	\$ 8,687,534	\$ 8,687,534
Capital Raising	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
Proceeds from exercise of options				\$ 9,781,391
Post-Transaction Value	\$ 11,224,976	\$ 14,173,626	\$ 12,699,301	\$ 22,480,693
Post-Transaction equity securities on issue	80,859,580	80,859,580	80,859,580	119,985,143
Value per equity security	\$ 0.139	\$ 0.175	\$ 0.157	\$ 0.187
Minority discount ^(refer to section 9.4)	20%	20%	20%	20%
Post-Transaction Value per Equity Security	\$ 0.111	\$ 0.140	\$ 0.126	\$ 0.150

Maximum Capital Raising				
Shares on issue, post consolidation	7,310,958	7,310,958	7,310,958	7,310,958
Control valuation, pre-Transaction	\$ 438,657	\$ 584,877	\$ 511,767	\$ 511,767
Valuation of TOCC	\$ 7,286,321	\$ 10,088,750	\$ 8,687,534	\$ 8,687,534
Capital Raising	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Proceeds from exercise of options				\$ 10,343,891
Post-Transaction Value	\$ 12,724,976	\$ 15,673,626	\$ 14,199,301	\$ 24,543,193
Post-Transaction equity securities on issue	88,359,580	88,359,580	88,359,580	129,735,143
Value per equity security	\$ 0.144	\$ 0.177	\$ 0.161	\$ 0.189
Minority discount ^(refer to section 9.4)	20%	20%	20%	20%
Post-Transaction Value per Equity Security	\$ 0.115	\$ 0.142	\$ 0.129	\$ 0.151

- 4.5 In our opinion the Transaction is **fair** based on the following:
- the value attributed to TOCC exceeds the consideration being paid by MFC; and
 - the value of the MFC shares held by Non-Associated Shareholders increases as a result of the Transaction.

Reasonable

- 4.6 ASIC Regulatory Guide 111 states that a transaction is reasonable if:
- The Transaction is fair; or
 - Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

4.6.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors:

- MFC is operating at a loss and has limited financial capability. The Transaction provides MFC Shareholders with an opportunity to become shareholders in a larger business and make best use of their limited cash resources. TOCC owns a portfolio of exploration and development projects and also has an option to acquire a producing, profitable coal mine in Oklahoma. This will diversify MFC's portfolio of businesses and has the potential to provide synergy benefits and value to both companies.
- The industry experience and business relationships brought to the Company by the TOCC owners may assist MFC with its changing business strategy.
- TOCC has the potential to provide profits and operating cash flows to MFC shareholders as management advise their coal projects are advanced, and located in prime coal areas and have scale.
- The greater market capitalisation resulting from the Transaction may provide for greater liquidity of security trading.
- The MFC Board are of the opinion that the Transaction is in the best interests of the Company's shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company.
- We are unaware of any alternative proposal at the date of this report that could realise better value for MFC shareholders.

4.7 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of MFC.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to MFC Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Transactions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case 100% of the equity in TOCC) is equal to or greater than the value of the consideration being offered (in this case, MFC shares and options). Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the Transaction in the absence of any alternative proposals.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the Transaction and the value of the consideration to be paid is only one element of this assessment.
- 5.4 We have considered whether any shareholder will obtain a level of control in MFC as a result of the proposed Transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case TOCC shareholders will obtain control of MFC and this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of 100% of the equity of TOCC and MFC.
- 5.6 In evaluating the Transaction, we have considered the value of the TOCC shares and options being acquired and compared this to the amount of consideration to be paid through the issue of MFC shares and options for this acquisition. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in MFC will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of TOCC and MFC;
 - The value of TOCC shares and options, under various methodologies;
 - The value of MFC shares and options, under various methodologies;

- Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Security trading history of MFC shares;
 - The likely value and liquidity of MFC shares in the absence of the acquisition;
 - Other qualitative and strategic issues associated with the Transaction.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.
- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of MFC or TOCC. We have analysed and reviewed information provided by the Directors and management of TOCC and MFC and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report. To the extent we become aware of a material change in circumstances since the date of our report, we will issue a supplementary report at the request of MFC if so required.

6 BACKGROUND

- 6.1 MFC is actively seeking out new investment opportunities capable of bringing value to MFC shareholders. Further information on MFC's business operations can be found at Section 8 of this report.
- 6.2 MFC's profitability and financial position has deteriorated over a number of years as a result of the fluctuating mining sector and the low prices for most major metals. The recent focus of the Company has been on corporate activities, implementing cost saving measures and undertaking due diligence on potential investment initiatives.
- 6.3 MFC has entered into a Heads of Agreement to acquire 100% of the issued capital of TOCC, subject to a number of conditions, including shareholder and regulatory approvals.
- 6.4 TOCC is an unlisted public company that is focused on developing substantial coking coal projects in Canada and the United States. MFC Chairman, Geoff Hill, is also Chairman of TOCC. Further information on TOCC's business operations can be found at Section 7 of this report.
- 6.5 The Transaction will be subject to and conditional upon:-
- a) completion of mutual satisfactory due diligence. The parties will meet the cost of their own due diligence program;
 - b) the consolidation by MFC of current shareholding of 73,109,576 on the basis of 1 share for each existing 10 shares, giving MFC an issued capital of approximately 7,310,958 shares. MFC will also issue its shareholders one option for every consolidated share exercisable at \$0.25 with a maximum exercise period of 3 years (the "MFC Option");
 - c) each TOCC shareholder and option holder entering into agreements with MFC for the sale of their shares and options;
 - d) the completion of the Capital Raising;
 - e) the obtaining of all necessary shareholder and regulatory consents and approvals including but not limited to:
 - i. the obtaining of an independent experts report commenting on the fairness and reasonableness of the Transaction to the non-associated shareholders,
 - ii. MFC shareholders approving the Transaction; and
 - iii. the issue of a Prospectus by MFC.

7. OVERVIEW OF TOCC

7.1 Corporate Overview

- 7.1.1 TOCC was established in April 2011 as a coal exploration and development company founded by a team of Australian coal and investment professionals to explore and develop North American coal resources. TOCC has a United States office in Dallas, Texas, and a corporate office in Hong Kong.
- 7.1.2 Three of the Company's directors have knowledge and expertise in the exploration, production and marketing of coal in Australia. TOCC has consultants and proposed joint venture partners with experience and expertise in the US, in both energy exploration and development.
- 7.1.3 TOCC's aim is to strategically position itself to develop a profitable coal production and export business. TOCC's objective is to identify coal assets with resources of between 50Mt and 200Mt that can be mined by open cut or underground techniques. TOCC's focus is on projects in Oklahoma, Colorado and British Columbia. In order to diversify the Company's risk profile, the strategy of TOCC is to acquire a mix of quality coal assets in a number of locations throughout North America. This will enable TOCC to provide a range of coal qualities that will meet the particular demand of end users.
- 7.1.4 TOCC intends to utilise its Australian expertise to develop new sources of supply. TOCC's Australian expertise combined with local knowledge and management abilities is seen by the Company as a key advantage to establishing a profitable coal export business in North America.
- 7.1.5 TOCC has the following wholly owned subsidiaries:
- Texas & Oklahoma Coal Company (USA) LLC ("TOCC USA"), which holds the groups interests in Oklahoma and Colorado;
 - Texas & Oklahoma Coal Company (Canada) LLC ("TOCC Canada"), which holds the groups interests in British Columbia; and
 - TOCC Pickaxe Exploration LLC ("Pickaxe"), which was acquired by TOCC in February 2013 and holds a number of green fields exploration projects in Oklahoma.

References to TOCC in this report refer to the consolidated group unless otherwise stated.

7.2 Projects

- 7.2.1 TOCC is developing a portfolio of exploration projects in Oklahoma, Colorado and British Columbia. Across all projects the target is metallurgical coal and high energy thermal coal.
- 7.2.2 TOCC's focus is on high rank bituminous or metallurgical coal in Texas, Oklahoma, Colorado and British Columbia for production and sale into the export coal trade. The locations have been selected based upon the following criteria:
- Potential for export quality metallurgical and high energy thermal coal
 - Coal seams greater than 1m thickness within multiple seam deposits

- Existing rail and road infrastructure in close proximity to exploration areas
- Historical mining provinces with proven production of coking and thermal coal.

Project	State	Coal Type	Exploration Target (Mt)
Howe & Bokoshe	Oklahoma	Coking	152 – 234
Left Fork	Colorado	Coking & Energy	136 – 204
South Hazell	British Columbia	Coking	57 – 86
Elko	British Columbia	Coking	224 – 336
Hartford	Oklahoma	Coking	87 – 117
Lafayette	Oklahoma	Coking	41 – 54
Wapiti / Peace River	British Columbia	Coking & Energy	20*
Total JORC			<u>697 – 1031</u>
Total Non JORC*			<u>20</u>

7.2.3 An Independent Technical & Geological Report on the assets of TOCC was issued on 20 May 2014 to MFC by Geos Mining Minerals Consultants (“Geos Report”) ¹. The Geos Report includes exploration targets for the TOCC projects consistent with those shown at section 7.2.2 above. The Geos Report concludes that:

“These potential resources have insufficient coal lithology, correlation and quality data to be classified as part of the coal resources. The potential quantity and quality are conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the conversion of any of this coal to a resource.

Although the Wapiti exploration licence application area is considered to contain high levels of mining development risk associated with complex geology, native title and community issues, we consider that further exploration and assessment of these risk-related issues could have the potential to result in the identification of a JORC Code classified resource.”

7.3 Option to Acquire GCI and its P8 Mine

7.3.1 Georges Colliers Inc (“GCI”), among other things, operates the P8 Mine, located in Le Flore County, Oklahoma. P8 Mine has been operating since 1997, supplying coal to a nearby power plant.

7.3.2 The Geos Report stated that “the P8N Mine is a conventional board and pillar underground mine producing around 0.35-0.45Mtpa product coal from the Carboniferous Hartshorne seam, using a single super section mining unit comprising two continuous miners. The ROM (run-of-mine) coal is crushed and screened on-site to produce a domestic thermal product which is then trucked to the nearby Shady Point Power Station. A minor proportion has been sold to the industrial market for cement manufacture. The coal is potentially suitable as a PCI (precast/prestressed cement) blend and possibly stand-alone PCI product, depending on results of further metallurgical testing.”

¹ The Geos Report can be found on MFC’s web-site and summarised in the Notice of Meeting to which this report is annexed.

- 7.3.3 TOCC initially entered into a Memorandum of Understanding (“MOU”) with GCI in July 2013 regarding the purchase by TOCC of up to 80% of GCI’s issued capital under an Option Agreement exercisable to August 2014. The MOU was negotiated on the basis that the P8 Mine contains 8.9 million ton recoverable reserves from a 12.4 million ton resource. The parties agreed that GCI will remain as operator of the existing mine for no less than 36 months with TOCC holding the option to extend for another 36 months.
- 7.3.4 TOCC and GCI have recently renegotiated the terms of a share purchase agreement whereby TOCC would acquire between 30% and 47% of GCI, based on the total funds raised from the proposed Capital Raising. The purchase price has also been increased, and will be the pro-rata equivalent to an equity value for 80% of GCI of US\$1.95 million. We have included a summary of GCI financials at section 7.7.
- 7.3.5 The proposed staged payments for the purchase by TOCC/MFC of GCI equity is as follows (based on a valuation of 80% of GCI equity of US\$1.95 million):
- a) MFC raises up to \$3 million, net of listing costs, then MFC acquires 30% of GCI equity;
 - b) MFC raises between \$3 million - \$4.7 million, net of listing costs, then MFC acquires 30% plus prorated amount of GCI equity up to 47%;
 - c) MFC raises between \$4.7 million and \$8 million, net of listing costs, then MFC acquires 47% of GCI equity;
 - d) MFC raises greater than \$8 million, net of listing costs, then MFC acquires up to 80% of GCI equity.
- 7.3.6 An option extension fee of US\$50,000 has been paid by TOCC to extend the option period to 18 November 2014 to allow MFC to complete its first stage Capital Raising which amount is deductible from the purchase price. With the successful completion of MFC’s first stage Capital Raising, the Option Extension Fee locks the pro-rata Purchase Price at US\$1.95m for a period up to 31 December 2015.
- 7.3.7 A further option extension fee of US\$50,000 is payable by TOCC to extend the option period from 31 December 2015 to 31 March 2016, which is deductible from the purchase price.

7.4 Ownership and Organisational Structure

7.4.1 TOCC's existing capital structure is as follows:

Shares	67,258,330	30 shareholders
Options	9,750,000 @ US20 cents exercise price	10 option holders

7.4.2 The TOCC shareholders comprise the following parties:

International Pacific Securities Limited	14,900,000	22.2%
John Wardman & Associates Pty Ltd	8,000,000	11.9%
Chelaise Pty Ltd	5,666,666	8.4%
IPS Nominees Limited	5,250,000	7.8%
Act2 Pty Ltd	4,000,000	5.9%
All other shareholders	29,441,664	43.8%
	67,258,330	100.0%

7.4.3 The table below summarises the dates and amounts of the most recent shares issued in TOCC. All shares issued in the last six months were at a price of \$0.15 per share:

Allotment Date	Amount Subscribed	Funds Received (USD)
15/10/13	633,333	95,000
30/10/13	200,000	30,000
3/12/13	200,000	30,000
21/1/14	200,000	30,000
6/2/14	1,600,000	240,000
	2,833,333	425,000

7.5 Key Management

7.5.1 The following information has been provided by TOCC on their key management:

Geoffrey Hill, Chairman, B.Ec, MBA, FCPA, FAICD

Geoffrey Hill is a merchant banker based in Hong Kong. He is currently Chairman of International Pacific Securities (IPS) and a principal of Hill Sherlock and Willis. Mr Hill has over 30 years' experience in merchant banking with extensive experience in the resources industry, having acted or worked for many Australian resource companies including Santos, Woodside, Exxon, Bell Resources, Rio Tinto and more recently New Hope Mining. Mr Hill is an experienced director having served on the Boards of Centrex Metals Ltd, Broken Hill Prospecting Ltd, Hill's Industries Ltd and Mt Gibson Iron.

Gary Cochrane, Director, BOE, GRAD DIP Mining, MBA, GAICD

Gary Cochrane has 25 years' experience in the mining, engineering and construction industries in Australia, China, Indonesia and New Guinea. He has had senior management and technical roles at operating mines in Australia and New Guinea. Gary has spent the last 10 years as an international mining and management consultant to the coal and hard rock mining industries. Gary was a founding investor and former director of Millennium Coal which is now an operating coal mine in Queensland.

Paul Chappell, Director, B.Com, FCPA, MAICD

Paul Chappell has had many years' experience in the coal industry, including as a non-Executive Director of a number of companies and in trading international commodities. He has focused particularly on solid fuels and has experience in Asian, Latin American and European coal markets. He is a Fellow of the Australian Society of Certified Practising Accountants and a Member of the Australian Institute of Company Directors.

Dominic Hill, Vice President-Director, BBUS, ADIP

Dominic Hill is based in Dallas Texas and has lived in the USA since 2005. He has been with TOCC since its inception in 2011 and established the Dallas Office for the company. During his time with TOCC he has been responsible for the development of TOCC's business base and exploration programs. Mr Hill has over 10 years' experience in the investment and advertising sectors and more recently in the US coal and energy sectors. As Vice President, his responsibilities include business development, strategic due diligence, industry research and analysis as well as relationship management and deal execution. Prior to joining TOCC, Mr Hill worked as a consultant in the marketing, web development and IT industries throughout North America.

Cindy Chui, Company Secretary, B.Bus, MBA, CPA (HK), CPA (Aust), CTA (HK)

Cindy Chui is a qualified accountant with over 17 years' experience in accounting, auditing, corporate services, taxation, management and financial planning. She has worked with various multinationals including PricewaterhouseCoopers and ING. She has an MBA from the Manchester Business School.

7.6 TOCC Financial Information

- 7.6.1 TOCC has only been established since April 2011 and its assets are not yet generating income. Set out below is a summary of expenditure incurred from incorporation on 7 April 2011 to 31 December 2013 and the unaudited financial position of TOCC as at 31 December 2013:

US\$	1/7/13 to 31/12/13	1/7/12 to 30/6/13	1/01/2012 to 30/6/12	7/4/11 to 31/12/11
Consultancy fees	(138,570)	(112,727)	(313,851)	(13,000)
Legal and professional fees	(22,441)	(58,711)	(20,717)	-
Employment expenses	(216,859)	(514,310)	(398,799)	(26,668)
Travel expenses	(23,771)	(73,828)	(32,414)	(6,809)
Loss on investment	-	(149,997)	-	-
Net interest expense	-	(42,325)	6	6
Other expenses	(81,088)	(254,035)	(125,538)	(270,205)
Net loss	(482,729)	(1,205,933)	(891,313)	(316,676)

As at 31 December 2013	TOCC Consolidated
Current Assets	US\$
Cash	344,549
Receivables	209
Prepayments	24,185
	368,943
Non-Current Assets	
Intangible assets ¹	1,757,442
	1,757,442
Total Assets	2,126,385
Current Liabilities	
Payables and accruals	342,856
	342,856
Total Liabilities	342,856
Net Assets	1,783,529
Equity	
Issued capital ²	3,001,400
Accumulated losses	(1,217,871)
	US\$1,783,529
AUD1:USD0.8873	AU\$2,040,063

¹ Intangible assets are capitalised costs associated with development of exploration assets.

² Includes a Convertible Note of \$100,000, which has subsequently been converted into shares.

7.7 GCI Financial Information

7.7.1 Set out below is a summary of audited financial performance of GCI for the last three financial years ended 31 December 2011, 2012 and 2013:

US\$ Year ended 31 December	2013	2012	2011
Revenue	19,760,788	19,452,063	19,389,526
Cost of sales	(17,632,434)	(18,591,154)	(16,915,727)
Other income	2,937,727	563,073	278,833
Net Interest Expense	(186,081)	(95,502)	(36,828)
Consulting services	(260,827)	(406,133)	(587,261)
Electricity	(609,490)	-	-
Equipment rental	(983,588)	(220)	(2,012)
Legal and accounting	(323,488)	(121,883)	(59,004)
Depreciation and depletion	(863,996)	(275,104)	(348,518)
Other expenses	(978,002)	(318,831)	(398,814)
Profit before income tax	860,609	206,309	1,320,195
Income tax (expense) / benefit	(484,219)	(88,612)	149,307
Net profit after income tax	376,390	117,697	1,469,502

7.7.2 Set out below is the audited statement of financial position of GCI as at 31 December 2013:

GCI Consolidated Statement of Financial Position	
	US\$ 31 December 2013
Current Assets	
Cash	341,388
Receivables	692,873
Prepayments	548,719
Note receivable	145,840
	1,728,820
Non-Current Assets	
Property plant & equipment	4,928,993
Investments ¹	300,000
Restricted cash	1,072,116
Deposits	74,515
Coal reserves - net of depletion	3,599,675
Note receivable	354,599
Deferred loan costs - net of amortisation	26,029
	10,355,927
Total Assets	12,084,747
Current Liabilities	
Trade payables	224,500
Accruals	921,888
Current Maturity of asset retirement	60,067
Current Maturity of long term debt	954,966
	2,161,421
Non-Current Liabilities	
Deferred tax liability	316,375
Long term liabilities / borrowings	1,849,774
Commitments and contingencies	272,892
Asset retirement obligation	1,334,399
	3,773,440
Total Liabilities	5,934,861
Net Assets	6,149,886
Equity	
Issued stock	42
Treasury stock	(74,990)
Retained earnings	6,224,834
Total equity	6,149,886

¹ Investments has since been assessed as having a nil market value, which would reduce net assets to US\$5,849,886 as at 31 December 2013.

8 OVERVIEW OF MFC

8.1 Corporate Overview

- 8.1.1 MFC is an ASX listed company that is actively seeking out new investment opportunities capable of bringing value to MFC shareholders.
- 8.1.2 The most notable of MFC's recent achievements was to assemble a portfolio of promising nickel developments. MFC looked at consolidating these interests and listing them as a separate entity but this proved to be impossible because of the difficult nickel markets and associated lack of investor interest.
- 8.1.3 This review process concluded in the signing of a Heads of Agreement with privately owned TOCC. MFC has been conducting extensive due diligence, including a site visit to the TOCC Oklahoma assets. TOCC is an unlisted public company that is focused on developing substantial coking coal projects in Canada and the US.
- 8.1.4 During the last three years, TOCC acquired a portfolio of exploration and development projects. It also has an option to acquire a producing, profitable coal mine in Oklahoma.
- 8.1.5 TOCC had been in the process of assessing its options for a public listing and a merger between MFC and TOCC is to be proposed for approval by MFC's shareholders.

8.2 Current Business Activities

- 8.2.1 As detailed in announcements made by the Company, their recent focus has been on corporate activities, implementing cost saving measures and undertaking due diligence on potential investment initiatives.
- 8.2.2 MFC holds 9.12% of the issued ordinary shares in Bass Metals Limited (ASX: BSM), valued at \$152,067 as at 31 December 2013. Bass Metals is an ASX listed gold and base metal exploration company. Since listing in October 2005 the Company has focused on exploring and mining polymetallic (copper, lead, zinc, silver and gold) deposits in north west Tasmania, Australia.
- 8.2.3 MFC has also held a small portfolio of low cost nickel laterite assets. However the profitability and financial position of the Company has deteriorated over a number of years as a result of the fluctuating mining sector and the low prices for most major metals, in particular the volatility of the nickel market.
- 8.2.4 MFC's focus is now on the completion of the Transaction with TOCC and the development of its coal projects.

8.3 Financial Information

- 8.3.1 Set out below is the Audited Consolidated Statements of Comprehensive Income of MFC for the financial years ended 31 August 2011 (“FY 2011”), 31 August 2012 (“FY 2012”) and 31 August 2013 (“FY 2013”).

METALS FINANCE LIMITED			
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
	FY 2013	FY 2012	FY 2011
Consulting Revenue	44,394	70,652	168,424
Interest Revenue	49,855	147,125	180,546
Fair value gain on financial assets at fair value through profit or loss	-	-	410,558
Other income	13,602	-	10,506
Employee expenses	(178,031)	(1,231,262)	(1,331,988)
Depreciation and amortisation	(18,396)	(23,517)	(27,386)
Foreign exchange losses	(83,404)	(229,299)	(483,325)
Finance costs	(429)	(12,568)	(202,972)
Project and feasibility costs	(353,000)	(921,346)	(619,979)
Administration expenses	(913,723)	(891,768)	(796,956)
Impairment of property, plant & equipment	(122,410)	(121,131)	(121,131)
Impairment of receivables	(161,710)	-	-
Impairment of available-for-sale assets	-	(3,430,853)	-
Fair value loss on financial assets at fair value through profit or loss	-	(407,225)	-
Loss before income tax	(1,723,252)	(7,051,192)	(2,813,703)
Income tax benefit	587,698	225,089	46,704
Net loss after income tax	(1,135,554)	(6,826,103)	(2,766,999)

- 8.3.2 Set out below is the unaudited Consolidated Statement of Financial Position of MFC as at 31 December 2013.

METALS FINANCE LIMITED	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	As at 31 December 2013
Current Assets	
Cash and cash equivalents	677,655
Other receivables	22,441
	700,096
Non-Current Assets	
Available for sale financial assets ¹	152,067
	152,067
Total Assets	852,163
Current Liabilities	
Trade and other Payables	94,732
	94,732
Total Liabilities	94,732
Net Assets	757,431
Equity	
Contributed equity	22,083,126
Reserves	271,833
Accumulated losses	(21,597,528)
Total Equity	757,431

¹ Available for sale financial assets represent listed shares held by MFC in Bass Metals Ltd (ASX:BSM). As at 31 December 2013 MFC held 29,746,778 shares with a market value at that date of \$152,067.

- 8.3.3 The Auditors Report for 2013 for MFC included an Emphasis of Matter, stating that “the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, the continued support of current shareholders and the ability to successfully develop and extract value from its projects that are under development.”

9 VALUATION METHODOLOGIES

9.1 Selection of Methodology

9.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to MFC and TOCC shares.

9.1.2 In assessing the value of MFC and TOCC we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to shareholders on an orderly realisation of assets; and
- Comparable Market Transactions: the identification of comparable sale transactions.

We consider each of these valuation methodologies below.

9.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represents the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of ‘unusual’ and/or ‘abnormal’ trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

We consider that adopting a market value of shares methodology to determine an indicative value of MFC is appropriate as it reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of MFC shares.

This method is not appropriate for TOCC as its shares are not listed or publicly traded.

9.1.4 *Capitalisation of Future Maintainable Earnings*

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

The earnings multiple used to value a business reflects the risk of investing in the business and the investor's required return on the investment. Many businesses or companies are valued or compared on reported price earnings ratios, which examines the value based upon a multiple of net profit after tax. EBITDA (earnings before interest, tax, depreciation and amortisation), EBITA (earnings before interest, tax and amortisation) or EBIT (earnings before interest and tax) or some other earnings substitute can also be used in determining a valuation for a company.

MFC has incurred net losses in prior years therefore the earnings based method is not appropriate for the valuation of MFC.

TOCC's assets are not currently income producing therefore the earnings based method is not appropriate for the valuation of TOCC.

9.1.5 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Although the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned. The forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operational cycle for more cyclical industries.

Neither MFC nor TOCC have prepared long-term forecast future cash flows on which a valuation can be based. Given the stage of operations of both companies there is insufficient reasonable grounds on which to base long term forecasts. Therefore the use of the discounted cash flow method has not been selected for either TOCC or MFC.

9.1.6 Realisation of Assets

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's balance sheet to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

As MFC and TOCC are predominantly revenue based businesses, the book value of their assets may not be representative of the inherent value of the businesses. Therefore this method is not appropriate.

9.1.7 Comparable Market Transactions

This methodology involves the identification of comparable sale or equity raising transactions for the actual or similar businesses to that being valued.

The Capital Raising by MFC is one of the conditions precedent to the Transaction. We consider this Capital Raising provides a basis for the valuation of TOCC as the issue of shares from the Capital Raising reflects a market value of the shares to be issued to the TOCC shareholders, being the price at which independent parties are willing to invest in a merged entity comprising MFC and TOCC.

We have also considered the price at which shares have previously been issued in TOCC between arms-length parties.

9.1.8 Financial information relied upon in applying selected valuation methods

We have reviewed the financial accounts for the last three years and the unaudited management accounts of MFC and TOCC. Ultimately, the Management of each company are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

9.2 Valuation of Options

- 9.2.1 The Black-Scholes formula is commonly used for assessing the value of options to subscribe for shares. Other valuation methodologies can include computing the difference between the share price and the option exercise price and taking into consideration the benefit to the option holder of having the use of the funds required to exercise the option less the present value of the foregone dividends on the shares.

As the Black-Scholes formula is a recognised and accepted model for the valuation of options HCC has selected this as the preferred method as it takes into account the key parameters effecting the option valuation.

The Black-Scholes formula is as follows:

$$P_o = \frac{P_s N(d_1) - \frac{E N(d_2)}{(1+r)^t}}$$

$$d_1 = \frac{\log(P_s / (E / (1+r)^t)) + (q\sqrt{t})/2}{q\sqrt{t}}$$

$$d_2 = d_1 - q\sqrt{t}$$

where:

P_o	=	the current value of the option
P_s	=	the current price of the share
E	=	the exercise price of the option
t	=	the time remaining before expiration (in years)
r	=	the continuously compounded risk free rate of interest
q	=	an estimate of the standard deviation of the continuously compounded annual rate of return on the shares
$N(d_1) \text{ \& } N(d_2)$	=	the probability that a deviation less than d will occur in a normal distribution with a mean of zero and a standard deviation of one.

The assumptions underlying the Black-Scholes formula are as follows:

- the underlying share pays no dividends during the life of the option;
- the option can only be exercised on the expiration date;
- there are no margin requirements, taxes or transaction costs;
- the risk-free interest rate is constant over time and the market operates continuously;
- the volatility of the share is constant and is defined as the standard deviation of the share's price movement; and
- short selling is permitted.

9.3 Premium for Control

9.3.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the Transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) the controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

- 9.3.2 Empirical evidence indicates that the average premium for control (over and above the market price of the company's shares) in successful takeovers in Australia generally range between 20% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.
- 9.3.3 Caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply a premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through a capital raising.
- 9.3.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20% of the issued shares in a company. At this time a premium for control should normally be considered.
- 9.3.5 A premium for control is relevant to the Transaction, as it will result in the TOCC shareholders owning between 70.9% (minimum capital raising) and 65.6% (maximum capital raising) of the shareholding in MFC on a fully diluted basis.
- 9.3.6 We have applied a premium for control of **20%** to the traded value of MFC shares based on the following:
- a) TOCC shareholders will obtain control of MFC and shareholders may not have a future opportunity to obtain a premium from the sale of their shares;
 - b) TOCC shareholders will obtain board representation, control the appointment of directors, management policy and the strategic direction of MFC; and
 - c) TOCC shareholders will obtain control of free cash flows of MFC, decision making regarding the acquisition and disposal of assets and the redeployment of the proceeds.
 - d) However, the premium for control has been limited to 20% based on the following:
 - i. The liquidity of MFC shares has been extremely low, with only 10% of shares on issue traded in the last 12 months. Considering the effect low liquidity may have on the MFC share value, we believe that a premium for control above 20% may overstate the value that a potential investor is willing to pay to obtain a controlling interest in the Company; and
 - ii. MFC has incurred significant losses in prior years of operation and its assets are not yet producing any income.

9.4 Minority Interest Discount

- 9.4.1 The value of a minority shareholding is subject to a discount factor as the minority shareholder is not in a position to direct, and often not in a position to influence, the distribution of dividends, the investment of retained profits or the strategy and tactics of the company's operations.
- 9.4.2 When the Transaction is approved and completed, MFC's existing Non-Associated Shareholders voting interest will decrease from 83.4% to between 7.5% (minimum Capital Raising) and 6.9% (maximum Capital Raising) after the Capital Raising, or between 10.6% (minimum Capital Raising) and 10.0% (maximum Capital Raising) on a fully diluted basis. We have discounted the post-Transaction value per share on a control basis by **20%** to arrive at a post-Transaction value on a minority basis. We believe this discount is reasonable after considering the following factors:
- a) MFC is a listed public company where the shares held by Non-Associated shareholders are still able to be traded in an open market;
 - b) The assets currently held by MFC that Non-Associated shareholders are losing control of; and
 - c) The assessment of advantages and disadvantages associated with MFC entering into the Transaction as detailed at section 12.

10 VALUE OF TOCC

10.1 General

10.1.1 This section sets out our assessment of the underlying value of TOCC. We have selected the Comparable Market Transactions methodology to apply a value to TOCC as detailed in section 9.

10.1.2 Due to the early stage of exploration of all assets held by TOCC, and the fact that no JORC compliant resource based project valuations have been undertaken, no secondary valuation approach is appropriate for TOCC.

10.2 Valuation of TOCC based on the market transaction approach

10.2.1 The Capital Raising by MFC, being a condition precedent of the Transaction, is being conducted at an issue price of \$0.20 per new share. We consider this Capital Raising provides a basis for the valuation of TOCC as the issue of shares from this raising reflects a market value of the shares to be issued to the TOCC shareholders, being the price at which independent parties are willing to invest in a merged entity comprising MFC and TOCC.

10.2.2 As a large part of MFC post-Transaction is the value of TOCC, it acts as a proxy to the share value. We have valued the MFC share in section 11 at \$0.07 per share post consolidation. Therefore we have apportioned \$0.13 of the \$0.20 issue price to the value of TOCC.

10.2.3 Applying a value of \$0.13 per share to the 56,048,622 MFC shares being issued for the acquisition of TOCC would value TOCC under the market value approach at **\$7,286,321**.

10.2.4 This is prior to conversion of the MFC options being issued to MFC and TOCC shareholders and option holders, the value of which we have considered at section 11.4. We have not included the value of options issued in TOCC for the purpose of a market value of shares approach to ensure we do not overstate the value of 100% of TOCC for the purpose of this report, as MFC shares will still be diluted on any exercise of options. We have included the effect of dilution from options in our fairness assessment at section 13.1.5.

10.2.5 We have also considered the shares most recently issued by TOCC to independent third party investors as detailed at section 7.4.3. The most recent capital raisings undertaken by TOCC raised \$425,000 through the issue of shares at \$0.15 per share.

10.2.6 TOCC currently has 67,258,330 shares on issue. Applying a share value of \$0.15 per share values 100% of TOCC at **\$10,088,750**.

10.3 Conclusion on value of TOCC

10.3.1 We conclude that the value of TOCC for the purpose of this report is between \$7,286,321 and \$10,088,750, with a midpoint value of **\$8,687,534**.

11 VALUE OF MFC

11.1 General

11.1.1 This section sets out our assessment of the underlying value of MFC and its shares.

11.1.2 We have selected the market value of shares valuation methodology for MFC as detailed in section 9.

11.2 Market Value of Shares

11.2.1 In our opinion the value of MFC for the purpose of the Transaction should be examined on the basis of the current market value of the shares listed on the ASX. The market value of the shares listed on the ASX reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of the Company.

11.2.2 Following is a graph of the trading of MFC shares over the last six months:



11.2.3 The table below sets out the movement of MFC share prices and trading up to and including 6 January 2014, the trading day prior to the announcement regarding the Transaction:

	Low \$	High \$	VWAP ²	Volume
1 month	0.005	0.008	0.006	1,403,050
2 months	0.005	0.008	0.006	3,209,690
3 months	0.005	0.008	0.006	4,109,690
6 months	0.005	0.015	0.006	5,302,030
12 months	0.005	0.024	0.009	7,322,150

² The VWAP was calculated using the total value of all transactions divided by the total trading volume in the time period considered.

- 11.2.4 Following the announcement of the Transaction, MFC shares rose from \$0.008 on 6 January 2014 to \$0.014 on 10 January 2014, and are currently trading at around \$0.006 per share.
- 11.2.5 We conclude that the value of the MFC shares under the market value approach for the purpose of this report is \$0.006 per share, being the VWAP in the month prior to the announcement of the proposed Transaction, with a range for the purpose of this report of between \$0.005 and \$0.007 per share. We note this valuation is on a portfolio basis and does not reflect a premium for control.
- 11.2.6 Inclusive of a 20% premium for control, the value of the MFC shares under the market value approach for the purpose of this report is between \$0.006 and \$0.008 per share, with a midpoint of **\$0.007 per share**. On a post-consolidation basis this equates to a valuation range of between \$0.060 and \$0.080, with a midpoint of **\$0.070 per share**.

11.3 Conclusion on the Value of MFC Shares

- 11.3.1 In our opinion the value of the MFC shares on a post consolidation basis for the purpose of this report is as follows:

Value Assessment	Share Value Post Consolidation		
	Low	High	Midpoint
Market value of shares	\$0.060	\$0.080	\$0.070

- 11.3.2 For the purpose of this report, the valuation range of MFC shares is in the range of \$0.060 to \$0.080 per share, with a midpoint of **\$0.070 per share** post consolidation as at the date of this report.

11.4 Value of MFC Options

- 11.4.1 The Transaction includes the issue of two parcels of MFC Options:
1. the issue of one MFC Option for each TOCC Option (9,750,000 options); and
 2. the issue to TOCC shareholders of 3 MFC Options for every ten MFC Shares issued (approximately 16,814,605 MFC options).
- 11.4.2 The assumptions underlying the Black-Scholes formula for both parcels of options to be issued are as follows:
- Ps = \$0.060 to \$0.080 per share as determined at section 11.3
- E = \$0.25
- t = 3 years
- r = 2.8% Australian government bond rate for exercise period
- q = 100% estimate
- 11.4.3 Based on our analysis of MFC shares and the application of the Black Scholes formula above, we are of the opinion that the indicative valuation of the MFC Options being issued pursuant to the Transaction is between \$0.021 to \$0.032 per option, with a midpoint of \$0.026 per option.

12 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

12.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

12.2 Advantages of the Transaction

- 12.2.1 MFC is operating at a loss and has limited financial capability. The Transaction provides MFC Shareholders with an opportunity to become shareholders in a larger business and make best use of their limited cash resources. TOCC owns a portfolio of exploration and development projects and also has an option to acquire a producing, profitable coal mine in Oklahoma. This will diversify MFC's portfolio of businesses and has the potential to provide synergy benefits and value to both companies.
- 12.2.2 The industry experience and business relationships brought to the Company by the TOCC owners may assist MFC with its changing business strategy.
- 12.2.3 TOCC has the potential to provide profits and operating cash flows to MFC shareholders as management advise their coal projects are advanced, and located in prime coal areas and have scale.
- 12.2.4 The greater market capitalisation resulting from the Transaction may provide for greater liquidity of security trading.

12.3 Disadvantages of the Transaction

- 12.3.1 The Company will be changing the nature of its activities to that of TOCC, focused on coal, resources and mining activities, which may not be consistent with the objectives of all Shareholders.
- 12.3.2 TOCC and GCI may not continue to be commercially viable and thus losses may be incurred.
- 12.3.3 There may be other opportunities MFC will not be able to undertake to realise the value of its listing if it accepts this Transaction due to the controlling interest being obtained by TOCC.
- 12.3.4 An opportunity may be lost to obtain a takeover premium for the company's shares unless TOCC sold their interest in MFC or subscribed for a 100% interest.
- 12.3.5 The Transaction will result in the dilution of current shareholder ownership percentages. When the Transaction is approved and completed, MFC's existing Non-Associated Shareholders voting interest will decrease from 83.4% to between 7.5% (minimum Capital Raising) and 6.9% (maximum Capital Raising) after the Capital Raising, or between 10.2% (minimum Capital Raising) and 9.4% (maximum Capital Raising) on a fully diluted basis.

13 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

13.1 Fairness

13.1.1 According to RG 111, for the Transaction to be fair, the value of the TOCC shares and options being acquired must be equal to or greater than the value of the consideration, being MFC shares and options.

13.1.2 Based on the analysis contained in section 10 of this report, the indicative value of TOCC is between \$7,286,321 and \$10,088,750, with a midpoint value of **\$8,687,534** as at the date of this report.

13.1.3 Based on the analysis contained in section 11 of this report, the indicative value of the consideration being paid by MFC for 100% of TOCC is between \$3,920,774 and \$5,333,956, with a midpoint value of \$4,640,647, as shown in the following table:

Valuation of Consideration	Shares	Low	High	Midpoint
MFC Share value ^{a)}		0.060	0.080	0.070
MFC Option value ^{b)}		0.021	0.032	0.026
MFC Shares to TOCC	56,048,622	3,362,917	4,483,889	3,923,403
MFC Options to TOCC	16,814,605	353,107	538,067	453,994
TOCC Options	9,750,000	204,750	312,000	263,250
		3,920,774	5,333,956	4,640,647

a) Share value on a post-consolidation control basis, as determined at section 11.3;

b) Value for MFC options with an exercise price of \$0.25 a maximum exercise period of 3 years, as determined at section 11.4. The above table only includes the options being issued to TOCC shareholders and option holders, as a cost of the Transaction. We note new MFC options will also be issued to MFC shareholders as part of the consolidation of shares as detailed at section 2.3.

13.1.4 Based on the figures in the tables above, the midpoint value attributed to TOCC of **\$8,687,534** exceeds the value of consideration being paid by MFC, with a midpoint of **\$4,640,647**.

13.1.5 Our valuation assessment above is based on the value per MFC ordinary share prior to the Transaction inclusive of a premium for control. In order to assess whether the Transaction is fair, we also need to compare the pre-transaction value per share of MFC on a control basis with the post-transaction value per share of MFC on a minority basis. This is shown in the table below:

MFC Value and Opinion	Low	High	Midpoint	Diluted
Control Value per Equity Security	\$ 0.060	\$ 0.080	\$ 0.070	\$ 0.070
Minimum Capital Raising				
Shares on issue, post consolidation	7,310,958	7,310,958	7,310,958	7,310,958
Control valuation, pre-Transaction	\$ 438,657	\$ 584,877	\$ 511,767	\$ 511,767
Valuation of TOCC	\$ 7,286,321	\$ 10,088,750	\$ 8,687,534	\$ 8,687,534
Capital Raising	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
Proceeds from exercise of options				\$ 9,781,391
Post-Transaction Value	\$ 11,224,976	\$ 14,173,626	\$ 12,699,301	\$ 22,480,693
Post-Transaction equity securities on issue	80,859,580	80,859,580	80,859,580	119,985,143
Value per equity security	\$ 0.139	\$ 0.175	\$ 0.157	\$ 0.187
Minority discount ^(refer to section 9.4)	20%	20%	20%	20%
Post-Transaction Value per Equity Security	\$ 0.111	\$ 0.140	\$ 0.126	\$ 0.150

Maximum Capital Raising				
Shares on issue, post consolidation	7,310,958	7,310,958	7,310,958	7,310,958
Control valuation, pre-Transaction	\$ 438,657	\$ 584,877	\$ 511,767	\$ 511,767
Valuation of TOCC	\$ 7,286,321	\$ 10,088,750	\$ 8,687,534	\$ 8,687,534
Capital Raising	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Proceeds from exercise of options				\$ 10,343,891
Post-Transaction Value	\$ 12,724,976	\$ 15,673,626	\$ 14,199,301	\$ 24,543,193
Post-Transaction equity securities on issue	88,359,580	88,359,580	88,359,580	129,735,143
Value per equity security	\$ 0.144	\$ 0.177	\$ 0.161	\$ 0.189
Minority discount ^(refer to section 9.4)	20%	20%	20%	20%
Post-Transaction Value per Equity Security	\$ 0.115	\$ 0.142	\$ 0.129	\$ 0.151

13.1.6 In our opinion the Transaction is **fair** based on the following:

- the value attributed to TOCC exceeds the consideration being paid by MFC; and
- the value of the MFC shares held by Non-Associated Shareholders increases as a result of the Transaction.

13.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

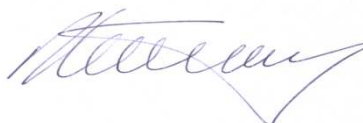
- MFC is operating at a loss and has limited financial capability. The Transaction provides MFC Shareholders with an opportunity to become shareholders in a larger business and make best use of their limited cash resources. TOCC owns a portfolio of exploration and development projects and also has an option to acquire a producing, profitable coal mine in Oklahoma. This will diversify MFC's portfolio of businesses and has the potential to provide synergy benefits and value to both companies.
- The industry experience and business relationships brought to the Company by the TOCC owners may assist MFC with its changing business strategy.
- TOCC has the potential to provide profits and operating cash flows to MFC shareholders as management advise their coal projects are advanced, and located in prime coal areas and have scale.
- The greater market capitalisation resulting from the Transaction may provide for greater liquidity of security trading.
- The MFC Board are of the opinion that the Transaction is in the best interests of the Company's shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company.
- We are unaware of any alternative proposal at the date of this report that could realise better value for MFC shareholders.

Having considered that the Transaction is fair, the potential of the TOCC business and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of MFC should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND



DAVID KENNEY

APPENDIX I - SOURCES OF INFORMATION

- Metals Finance Limited Notice of General Meeting and Explanatory Memorandum;
- Metals Finance Limited Audited Financial Reports for the financial years ended 31 August 2011, 31 August 2012 and 31 August 2013 and management accounts to 31 December 2013;
- MFC registry details;
- MFC security trading history;
- Share Purchase Agreement between MFC and TOCC;
- TOCC management accounting information to 31 December 2013;
- TOCC JORC Code Exploration Target Summaries issued by Highland GeoComputing, LLC. for:
 - Howe and Bokoshe Exploration Areas (issued in April 2013).
 - Left Folk Exploration Licence (issued April 2013);
 - South Hazell Exploration Licence (issued in May 2013);
 - Elko Exploration Licence (issued in May 2013, with Quality Addendum Memorandum issued in June 2013);
 - Hartford and Lafayette Exploration Areas (issued in January 2014);
- Independent Technical & Geological Report on the assets of TOCC issued to MFC by Geos Mining Minerals Consultants in May 2014;
- Memorandum of Understanding between TOCC and Georges Colliers Inc (GCI) dated 1 July 2013 regarding the purchase of GCI's issued capital by TOCC, and subsequent amendments to this agreement.
- TOCC registry details;
- Publicly available information on MFC and TOCC, including media releases, ASX announcements and websites;
- S&P Capital IQ market data;
- ASIC Regulatory Guide 74 'Transactions Agreed to by Shareholders';
- ASIC Regulatory Guide 111 'Content of Expert Reports';
- ASIC Regulatory Guide 112 'Independence of Expert's Reports';
- APES 225 'Valuation Services'.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to MFC, and TOCC with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of MFC and TOCC.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with MFC, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of MFC for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of MFC have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by MFC and TOCC as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

MFC has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by MFC to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of MFC. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to MFC shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the proposed Transaction is fair and reasonable.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to MFC shareholders.

Shareholders should read all documents issued by MFC that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the Non-Associated Shareholders of MFC. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-Associated Shareholder of MFC, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX III - FINANCIAL SERVICES GUIDE

Dated 1 September 2014

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document. The purpose of the disclosure document is to help you make an informed decision in relation to a financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of Metals Finance Limited ("MFC" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by MFC in relation to the proposed transaction to acquire all of the issued shares in Texas & Oklahoma Coal Company Limited ("TOCC") (the "Transaction").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$20,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary, a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership) or a dividend from a related company. Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend and Mr David Kenney, directors of HCC and partners in the Hall Chadwick Sydney Partnership, have prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of the Client or has other material financial interests in the Transaction.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:

The Complaints Officer

Hall Chadwick Corporate (NSW) Limited

GPO Box 3555

Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing,

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: 02 9263 2600
Facsimile: 02 9263 2800



Metals Finance Limited
SPECIALISTS IN METAL RECOVERY

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:30AM (AEDT) ON SUNDAY 12 OCTOBER 2014**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered security holder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the security holder.

Joint Holding: where the holding is in more than one name, all the security holders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:30am (AEDT) on Sunday 12 October 2014**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Metals Finance Limited

ABN 83 127 131 604

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Metals Finance Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the **Chairman of the Meeting**, as my/our proxy at the **General Meeting of Metals Finance Limited** to be held at **Level 14, 52 Phillip Street Sydney** commencing **10.30am (AEDT)** on **Tuesday 14 October 2014** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

Chairman of the Meeting is authorised to exercise proxies on TOCC related matters (Resolution 3): If I/we have appointed the Chairman of the Meeting as my/our proxy or the Chairman of the Meeting becomes my/our proxy by default, by signing and submitting this form I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of Resolution 3 (except where I/we have indicated a different voting intention below) even though Resolution 3 is connected directly or indirectly with TOCC, which is related to the Chairman.

If you have appointed the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default), and you wish to give the Chairman specific voting directions on an item, you should mark the appropriate box/es opposite those items in step 2 below (directing the Chairman of the Meeting to vote for, against or to abstain from voting). If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in computing the required majority on a poll.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Change in Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Acquisition of TOCC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Capital raising pursuant to a Prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Change of Company Name (special resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2014