



Zamia Metals Limited

ACN 120 348 683

Notice of Extraordinary General Meeting and Explanatory Memorandum

Including an Independent Expert's Report

Date: 18 June 2013

Time: 9.30am

**Place: Zamia Metals Limited
Level 6, Tower Building
Chatswood Village
47-53 Neridah Street
Chatswood NSW 2067**

THIS DOCUMENT IS IMPORTANT

This Notice of Meeting and Explanatory Memorandum should be read in its entirety. If you do not understand this document or are in any doubt as to how to deal with it, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

Chairman's Letter to Shareholders



Suite 60, Level 6 Tower Building
Chatswood Village
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Chatswood NSW 2067
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16 May 2013

Dear Shareholder

I am pleased to enclose with this letter the Notice of Meeting for an Extraordinary General Meeting of Zamia Metals Limited (**Zamia** or **Company**). The Notice of Meeting includes an Explanatory Memorandum and an Independent Expert's Report.

The Meeting will commence at 9.30 am (Sydney time) on 18 June 2013 at the Company office, Level 6, Tower Building, Chatswood Village, 47-53 Neridah Street, Chatswood.

The business of the Meeting is to consider:

- the ratification of a prior issue of Shares to Brownstone International Pty Limited (**Brownstone**);
- a proposed placement of Shares to sophisticated and professional investors; and
- the proposed issue of Shares to Brownstone as repayment for a loan provided by Brownstone to the Company (**Brownstone Loan Repayment Shares**).

The Company engaged Hall Chadwick Corporate (NSW) Limited to prepare an Independent Expert Report to assess whether the proposed issue of the Brownstone Loan Repayment Shares is fair and reasonable to the non-associated Shareholders of the Company. A copy of the Independent Expert's Report is attached to the Explanatory Memorandum.

Your Directors consider that the terms of the funding negotiated and agreed with Brownstone in March this year, including the terms of the proposed issue of Brownstone Loan Repayment Shares, are favourable to the Company and we are appreciative of Brownstone's interest in, and support of, the Company.

The Independent Expert, following its assessment, has concluded that, in its opinion, the proposed issue of Brownstone Loan Repayment Shares is fair and reasonable to the non-associated Shareholders of the Company. In addition to the Notice and Explanatory Memorandum, I encourage you to read the Independent Expert's Report in its entirety.

I hope that you will be able to join us at the Meeting in person. However, if you are unable to do so, then please kindly complete the enclosed proxy form and return it to the Company's share registry in accordance with the instructions in the Notice.

Yours sincerely

A handwritten signature in black ink, appearing to read "Alan Humphris", with a stylized flourish at the end.

Alan Humphris
Chairman

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of the Shareholders of **Zamia Metals Limited (Zamia or Company)** will be held to conduct the business specified below:

Location: Level 6, Tower Building, Chatswood Village 47-53 Neridah Street, Chatswood NSW 2067

Date: 18 June 2013

Time: 9.30am (Sydney time)

The Explanatory Memorandum accompanying this Notice provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Memorandum forms part of this Notice and should be read in conjunction with it.

The Explanatory Memorandum is accompanied by an Independent Expert's Report prepared by Hall Chadwick Corporate (NSW) Limited in relation to Resolution 3. The Independent Expert's Report concludes that Resolution 3 is both fair and reasonable from the perspective of non-associated Shareholders.

We refer Shareholders to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in this Notice and the Explanatory Memorandum.

Agenda

Resolutions

To consider and, if thought fit, to pass the following Resolutions as **ordinary resolutions**:

1. Ratification of a prior issue of Shares on 20 December 2012

"That for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders approve the prior issue of 7,744,913 Shares to Brownstone International Pty Ltd on the terms described in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 1 by:

- Brownstone; and
- any associate of Brownstone, including Qiang Chen.

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
- 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.

2 Approve a Proposed Placement of Shares to Sophisticated and Professional Investors

"That for the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders approve the proposed issue of up to 60,000,000 Shares to sophisticated and professional investors on the terms described in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 2 by:

- a person who may participate in the proposed issue or any other person who may obtain a benefit (except a benefit solely in the capacity as a Shareholder) if the Resolution is passed; and
- any associate of those persons.

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
- 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.

3 Approve the Proposed Issue of the Brownstone Loan Repayment Shares

“That, for the purposes of Listing Rule 7.1, section 611 item 7 of the Corporations Act and for all other purposes, Shareholders approve the proposed issue of Shares to Brownstone International Pty Ltd in full repayment of a loan by Brownstone International Pty Ltd to the Company on the terms described in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 3 by:

- Brownstone or any other person who may obtain a benefit (except a benefit solely in the capacity as a Shareholder) if the Resolution is passed; and
- any associate of those persons, including Qiang Chen.

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
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Dated:

By order of the Board



John William Stone
Company Secretary

Voting and Proxies

Voting

The Company has determined, in accordance with regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, that Shareholders recorded on the Company's register at 9.30am (Sydney time) on 16 June 2013 will be entitled to attend and vote at the Meeting. If you are not a registered Shareholder on the Record Date, you will not be entitled to attend and vote at the Meeting.

If you cannot attend the Meeting in person, we encourage you to sign and return the accompanying proxy form in accordance with the instructions set out below and those set out on the proxy form.

Proxies

A Shareholder who is entitled to attend and vote at the Extraordinary General Meeting may appoint up to two proxies to attend and vote on behalf of that Shareholder.

If a Shareholder appoints two proxies, the appointment of the proxies must specify the proportion or the number of that Shareholder's votes that each proxy may exercise. If the appointment does not so specify, each proxy may exercise half of the Shareholder's votes.

Where a Shareholder appoints more than one proxy, only the first named proxy is entitled to vote on a show of hands.

A proxy need not be a Shareholder.

A proxy may decide whether to vote on any Resolution, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on a Resolution, the proxy may vote on that Resolution only in accordance with the direction. If a proxy is not directed how to vote on a Resolution, the proxy may vote as he or she thinks fit (unless the proxy is the Chairman, in which case the Chairman will vote in favour of the Resolution, subject to the below).

Appointing the Chairman

If the Shareholder appoints the Chairman of the Meeting as proxy, the Shareholder can direct the Chairman how to vote by either marking the relevant boxes on the proxy form (ie. 'for', 'against' or 'abstain') **or** by marking the Chairman's voting direction box on the proxy form.

If a Shareholder appoints the Chairman as the Shareholder's proxy and does not specify how the Chairman is to vote on a Resolution, the Chairman will vote the Shareholder's Shares in favour of that Resolution on a poll.

Returning proxies and authorising documents

To be effective, the Company must receive the completed proxy form and, if the form is signed by the Shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 9.30am (Sydney time) on 16 June 2013. Proxies may be only lodged with the Company's share registry:

- (a) by mail or delivery to:
Boardroom Pty Limited
Level 7, 207 Kent Street
SYDNEY NSW 2000
- (b) by facsimile: +61 (0) 2 9290 9655

Directed Proxies

The Corporations Act sets out how a proxy must vote directed proxies. If a proxy form specifies the way a proxy is to vote on a Resolution, then:

- a proxy need not vote on a show of hands, but if the proxy does vote, the proxy must vote as directed;

- if a proxy is appointed by two or more Shareholders who specify different ways to vote on a Resolution, the proxy must not vote on a show of hands;
- if the proxy is the Chairman, the proxy must vote as directed on a poll;
- if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does vote, the proxy must vote as directed; and
- if the proxy is not the Chairman and does not attend the Extraordinary General Meeting or does not vote on a Resolution, but the proxy form specifies how to vote and a poll is demanded, then the Chairman is taken to have been appointed as the proxy and must vote as directed.

Power of Attorney

A Shareholder's attorney may sign the Shareholder's proxy form on behalf of the Shareholder. By signing the proxy form, the Shareholder's attorney confirms that the authority under which he or she executed the proxy form has not been revoked.

If the Shareholder's attorney signs the proxy form, then the attorney must, when it sends the proxy form to the Company, also send the authority (or a certified copy of the authority) under which the proxy form was signed. Each of the proxy form and authority must be received at least forty eight (48) hours before the Extraordinary General Meeting.

Bodies Corporate

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by two directors, a director and the company secretary, a duly authorised officer or attorney.

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at the Extraordinary General Meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise on behalf of the appointing body all of the powers that the appointing body could exercise at the Extraordinary General Meeting or in voting on a Resolution.

Questions

If you have any questions about any matter contained in the Notice of Meeting or Explanatory Memorandum, please contact the Company Secretary, John William Stone on +61 (2) 8223 3744 or at info@zamia.com.au.

Explanatory Memorandum

Explanatory Memorandum

This Explanatory Memorandum is dated 16 May 2013.

This Explanatory Memorandum explains and contains information about the Resolutions set out in the accompanying Notice of Meeting. This Explanatory Memorandum is designed to assist Shareholders in determining how they wish to vote on the Resolutions.

This Explanatory Memorandum forms part of, and should be read together with, the Notice of Meeting. The Company has also commissioned the Independent Expert's Report, which is annexed to this Explanatory Memorandum, to assist Shareholders in deciding how to vote on Resolution 3.

All Resolutions are ordinary resolutions and are not dependent on any other Resolution.

If you are in doubt about what to do in relation to the Resolutions, you should consult your financial or other professional advisor.

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary.

Forward Looking Statements

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect the views held by the Board as at the date of this Explanatory Memorandum.

While the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

RESOLUTION ONE – RATIFY PRIOR ISSUE OF SHARES ON 20 DECEMBER 2012

Background

On 20 December 2012, the Company issued 7,744,913 Shares to Brownstone at an issue price of 2 cents per Share (**Brownstone Shares**) to raise \$154,898 for working capital purposes.

Resolution 1 proposes that Shareholders ratify and approve the allotment and issue of the Brownstone Shares for the purposes of Listing Rule 7.4. Brownstone and its associates (including Mr Qiang Chen) are excluded from voting on Resolution 1.

Relationship between Brownstone, Qiang Chen and the Company

Brownstone is a major Shareholder of the Company and following the issue of the Brownstone Shares, Brownstone and its associates held a relevant interest in 50,800,629 Shares, representing 19.9% of the Company's issued Share capital. Subsequent to the issue of the Brownstone Shares, the Company issued 17,294,978 Shares to Brownstone on 22 January 2013, together with 4,223,744 unlisted Options exercisable at \$0.05 per Option and expiring on 21 January 2015. Shareholder approval for the issue of these Shares and Options was granted at the Company's 2012 Annual General Meeting.

As at the date of this Explanatory Memorandum, Brownstone and its associates hold a relevant interest in 68,095,607 Shares, representing 24.98% of the Company's issued Share capital.

Mr Qiang Chen is a Director of the Company. Mr Chen is also a director and major shareholder of Brownstone, holding approximately 43.5% of Brownstone's issued share capital. As a consequence, Mr Chen is classified as an associate of Brownstone.

However, on the basis of information provided by Mr Chen to the Company, Mr Chen does not have control of or influence over Brownstone's affairs or the composition of its board and, accordingly, Brownstone is not considered to be a related party of the Company.

Listing Rule 7.1

Listing Rule 7.1 prevents the Company from issuing more than 15% of its issued capital in any 12 month period (subject to certain exceptions) without Shareholder approval (**15% Limit**).

The issue of the Brownstone Shares did not exceed the 15% limit.

Approval under Listing Rule 7.4

Listing Rule 7.4 provides that, although the Company issued the Brownstone Shares without Shareholder approval, if the Shareholders approve the issue of the Brownstone Shares at the Meeting, the issue will be treated as though it had been made with Shareholder approval for the purposes of Listing Rule 7.1. This will refresh the Company's 15% placement capacity and enable it to issue further securities within that limit in accordance with the Listing Rules.

Specific information required by the Listing Rules

The following information regarding the Brownstone Shares is provided in accordance with the requirements of Listing Rule 7.5:

(i) *The number of securities allotted*

The Brownstone Shares comprise 7,744,913 Shares and were issued on 20 December 2012.

(ii) *The price at which the securities were issued*

The issue price for the Brownstone Shares was \$0.02 per Share.

(iii) *The terms of the securities*

The Brownstone Shares rank equally with the Shares currently on issue.

(iv) *The names of the allottees or the basis on which allottees were determined*

The Brownstone Shares were issued to Brownstone International Pty Ltd.

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

The Company used the funds raised by the issue of the Brownstone Shares for working capital purposes, including continuation of the current exploration programme on the Company's tenements.

The approval of Resolution 1 by Shareholders will provide the Company with the flexibility to raise further funds during the next 12 months by issuing further securities up to the full 15% Limit, as permitted by Listing Rule 7.1.

Directors' Interests

Mr Qiang Chen, a Director, holds 43.5% of the issued share capital in Brownstone, and is also director of Brownstone. Other than Mr Qiang, no other Director has any interest in the issued share capital of Brownstone.

Chairman's intention

The Chairperson of the Meeting intends to vote all available proxies in favour of Resolution 1.

Board Recommendation

The Directors (other than Qiang Chen because of his relationship with Brownstone) recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION TWO – PROPOSED PLACEMENT OF SHARES TO SOPHISTICATED AND PROFESSIONAL INVESTORS

Background

The Company proposes to issue, subject to Shareholder approval, up to 60,000,000 Shares to sophisticated and professional investors on the terms set out below (**Placement Shares**).

Resolution 2 proposes that Shareholders approve the allotment and issue of the Placement Shares for the purposes of Listing Rule 7.1.

Listing Rule 7.1

As noted above, Listing Rule 7.1 prevents the Company from issuing securities above the 15% Limit within any 12 month period (subject to certain exceptions) without Shareholder approval. By approving the issue of the

Placement Shares, Shareholders will ensure that the Company maintains its ability to issue further securities up to the 15% limit in the next 12 months without the requirement for further Shareholder approval. The Directors consider this important as it allows the Company to take advantage of opportunities to expand its working capital.

Specific information required by the Listing Rules

The following information regarding the Placement Shares is provided in accordance with the requirements of Listing Rule 7.3:

(i) *The maximum number of securities to be issued*

The Placement Shares will comprise a maximum of 60,000,000 Shares.

(ii) *The price at which the securities are to be issued*

The issue price for the Placement Shares will be not less than the 30 day VWAP of the Shares in the period ending one day prior to the date of the Meeting. In addition, in accordance with Listing Rule 7.3.3, the minimum issue price will be at least 80% of the average market price for the Shares calculated over the last five days on which sales of the Shares were recorded before the day on which the Brownstone Loan Repayment Shares are issued.

(iii) *The names of the placees or the basis on which those persons will be identified or selected*

The Placement Shares will be issued to sophisticated and professional investors. The identity of the placees is not known at the date of this Notice, however none of the proposed placees will be related parties to the Company or their associates or Brownstone or associates of Brownstone.

(iv) *The terms of the securities*

The Placement Shares will rank equally with the Shares currently on issue.

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

The Company intends to use the funds raised for working capital purposes, including continuation of the current exploration programme on the Company's tenements.

(vi) *The issue date*

The Placement Shares will be issued no later than three months after the date of the Meeting (or such other date as is permitted by the ASX or ASIC).

Chairman's intention

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 2.

Board Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION THREE – PROPOSED ISSUE OF BROWNSTONE LOAN REPAYMENT SHARES

Background and key terms of the Loan Agreement

The Company entered into the Loan Agreement with Brownstone on 8 March 2013. The Company has subsequently drawn-down \$800,000 (the **Loan Amount**) under the Loan Agreement. The Loan Amount accrues interest at a rate of 8% per annum (**Interest**). The Loan Amount and all accrued Interest are repayable, in the sole discretion of the Company, either in cash or through the issue of Shares to Brownstone on or before the loan maturity date of 12 September 2013. If repaid by way of Shares, the Loan Agreement stipulates that the Company must issue:

- Shares at an issue price equal to the 30 day VWAP for the Shares traded on the ASX in the period ending one day prior to the date of the extraordinary meeting of Shareholders to consider the proposed issue; and
- Shares equal to the amount to be repaid, being the Loan Amount plus accrued Interest, divided by the issue price of the Shares.

As at the date of this Explanatory Memorandum, the total amount to be repaid by the Company under the terms of the Loan Agreement is \$816,000 (being the principal amount of \$800,000 and Interest of approximately \$16,000).

The Board has resolved, subject to Shareholder approval, to issue Shares to Brownstone in repayment of the Loan Amount and accrued Interest under the terms of the Loan Agreement (**Brownstone Loan Repayment Shares**).

Relationship between Brownstone, Qiang Chen and the Company

As noted above, Brownstone is a major Shareholder of the Company and as at the date of this Explanatory Memorandum, holds a 24.98% interest in the Company.

Mr Qiang Chen is a Director of the Company. Mr Chen is also a director and major shareholder of Brownstone, holding approximately 43.5% of Brownstone's issued share capital. As a consequence, Mr Chen is classified as an associate of Brownstone.

However, on the basis of information provided by Mr Chen to the Company, Mr Chen does not have control of or influence over Brownstone's affairs or the composition of its board and, accordingly, Brownstone is not considered to be a related party of the Company.

Loan Repayment

As noted above, the Loan Amount and accrued Interest is repayable either in cash or by the issue of Shares to Brownstone. The Board has formed the view that the issue of Shares in full satisfaction of the Loan Amount and all accrued Interest is preferable to cash repayment on the basis that the Company requires funds as working capital to continue its copper and gold exploration projects across its central Queensland tenements as well as to carry out further investigatory work on the Anthony project.

As noted above, the number of Shares to be issued is to be calculated by reference to the Loan Amount and accrued Interest up to the date of loan maturity. The terms of the Brownstone Loan Repayment Shares are set out below. The Company intends to apply for quotation of the Brownstone Loan Repayment Shares.

Independent Expert

The Company has engaged Hall Chadwick Corporate (NSW) Limited (**Independent Expert**) to prepare an Independent Expert's Report to determine whether the number and value of the Brownstone Loan Repayment Shares is fair and reasonable to non-associated Shareholders. A copy of the Independent Expert's Report is annexed to this Explanatory Memorandum as Annexure A. We encourage you to read the Independent Expert's Report in its entirety.

The Independent Expert has concluded that the proposed issue of the Brownstone Loan Repayment Shares is fair and reasonable taking into account the Loan Amount and all accrued Interest, and the number of Brownstone Loan Repayment Shares to be issued, calculated in accordance with the terms of the Loan Agreement.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the issue of the Brownstone Loan Repayment Shares. This assessment is designed to assist Shareholders in reaching their voting decision.

Shareholder approval

In order to proceed with the proposed issue of the Brownstone Loan Repayment Shares, the Company must receive Shareholder approval in accordance with section 611 item 7 of the Corporations Act and Listing Rule 7.1. Resolution 3 seeks such Shareholder approval. Brownstone and its associates (including Mr Qiang Chen) are excluded from voting on Resolution 3.

Section 611 of the Corporations Act

The Company is seeking Shareholder approval to issue the Brownstone Loan Repayment Shares to Brownstone under section 611 item 7 of the Corporations Act.

As noted above, at the date of this Explanatory Memorandum, Brownstone holds a 24.98% interest in the *voting power* of the Company.

Brownstone's *voting power* is determined in accordance with section 610 of the Corporations Act. It includes the total number of votes attached to all of the voting shares in the Company in which Brownstone or an associate has a *relevant interest*.

Relevant Interest

For the purposes of the Section 606 Prohibition (see below), Brownstone's *relevant interest* consists of:

- Shares it holds directly in the Company; or
- Shares in respect of which it has the power to exercise, or control the exercise of, a right to vote; or
- Shares which it has power to dispose of, or control the exercise of a power to dispose of.

Brownstone's relevant interest in the Company comprises Shares held directly by Brownstone.

Section 606 Prohibition

Section 606 of the Corporations Act prohibits Brownstone from acquiring an interest in the Company where, as a consequence of the acquisition, Brownstone's voting power in the Company increases from a starting point above 20% (**Section 606 Prohibition**). As at the date of this Explanatory Memorandum, Brownstone holds a 24.98% interest in the voting power of the Company. The proposed issue of the Brownstone Loan Repayment Shares will, therefore, increase Brownstone's voting power from a starting point above 20%.

Item 7 exemption

Item 7 of section 611 of the Corporations Act provides an exemption to the Section 606 Prohibition.

That is, the Company may issue the Brownstone Loan Repayment Shares if, at the Extraordinary General Meeting:

- (a) the Shareholders approve Resolution 3;
- (b) no votes are cast in favour of Resolution 3 by Brownstone or its associates (including Mr Chen); and
- (c) you are given all information known to Brownstone or its associates, or known to the Company, that is material to your decision on how to vote on Resolution 3. This information is set out below in the section entitled 'Specific information required by the Corporations Act and Listing Rules'. The Independent Expert's Report also contains additional relevant information.

Listing Rule 7.1

The Company is seeking Shareholder approval to issue the Brownstone Loan Repayment Shares under Listing Rule 7.1.

As noted above, Listing Rule 7.1 prevents the Company from issuing securities above the 15% Limit within any 12 month period (subject to certain exceptions), without Shareholder approval. By approving the issue of the Brownstone Loan Repayment Shares, Shareholders will ensure that the Company maintains its ability to issue further securities up to the 15% limit in the next 12 months without the requirement for further Shareholder approval. The Directors consider this important as it allows the Company to take advantage of opportunities to expand its working capital.

Specific information required by the Corporations Act and Listing Rules

The following information is included in accordance with the requirements of the Corporations Act, the Listing Rules and ASIC Regulatory Guide 74 (to the extent it is not already included elsewhere in this Explanatory Memorandum).

(i) The identity of the person proposing to make the acquisition and their associates

If Resolution 3 is passed, the Brownstone Loan Repayment Shares are proposed to be issued to Brownstone.

A Director of the Company, Mr Qiang Chen, is also a director and substantial shareholder of Brownstone. Accordingly, Mr Chen is an associate of Brownstone.

Brownstone currently holds 68,095,607 Shares in the Company, representing 24.98% of the total Shares currently on issue.

(ii) The maximum number of securities to be issued or the formula for calculating the number of securities to be issued

The number of Brownstone Loan Repayment Shares will be calculated by dividing the Loan Amount plus all accrued Interest by the 30 day VWAP of the Shares traded on the ASX ending on the day prior to the date of the Meeting.

For illustrative purposes, various scenarios have been included in sub-paragraph (iii) below.

(iii) *The maximum extent of the increase in Brownstone’s voting power in the Company resulting from the proposed issue of the Brownstone Loan Repayment Shares*

Given the method of calculating the issue price of the Brownstone Loan Repayment Shares, the Company does not know and cannot calculate the number of the Brownstone Loan Repayment Shares which will be issued. Consequently, the Company cannot indicate the maximum extent of the increase in Brownstone’s voting power in the Company as a result of the proposed issue of the Brownstone Loan Repayment Shares.

Notwithstanding the above, the table below demonstrates how Brownstone’s voting power may increase as a result of the issue of the Brownstone Loan Repayment Shares using various alternatives for the 30 day VWAP of the Shares. Note that these calculations are for advisory purposes only and simply demonstrate how Brownstone’s voting power *may* increase as a consequence of the issue of the Brownstone Loan Repayment Shares. The table below assumes that:

- the Company will not issue any securities (other than the Brownstone Loan Repayment Shares) between the date of this Explanatory Memorandum and the date of issue of the Brownstone Repayment Shares;
- Brownstone does not acquire any Shares (other than the Brownstone Loan Repayment Shares) or exercise any of its 4,323,744 Options between the date of this Explanatory Memorandum and the date of issue of the Brownstone Repayment Shares; and
- the amount to be repaid under the Loan Agreement is \$816,000, consisting of the Loan Amount of \$800,000 plus Interest of \$16,000 as at the relevant date of issue.

30 Day VWAP per Share	Number of Brownstone Loan Repayment Shares	Increase in voting power	Voting power as a result of the issue of the Brownstone Loan Repayment Shares
\$0.009	90,666,667	18.72%	43.17%
\$0.011	74,181,818	16.05%	41.03%
\$0.013	62,769,231	14.04%	39.02%

(iv) *The voting power Brownstone would have as a result of the issue of the Brownstone Loan Repayment Shares*

As noted above, the Company is currently unable to determine the maximum extent of the increase in Brownstone’s voting power in the Company as a consequence of the issue of the Brownstone Loan Repayment Shares. Consequently, the Company does not know and cannot calculate the voting power Brownstone would have as a result of the issue of the Brownstone Loan Repayment Shares.

For illustrative purposes, various scenarios have been included in sub-paragraph (iii) above.

(v) *The maximum extent of the increase in the voting power of each of that person’s associates that would result from the issue of the Brownstone Loan Repayment Shares to Brownstone*

No associate of Brownstone will experience an increased interest in voting power as a consequence of the issue of the Brownstone Loan Repayment Shares

(vi) *The voting power that each of that person’s associates would have as a result of the proposed issue of the Brownstone Loan Repayment Shares*

Following the issue of the Shares to Brownstone, each of Brownstone’s associates will have a voting power in the Company as follows:

- Mr Qiang Chen – 0%.

(vii) *The date by which the Company will issue the Brownstone Loan Repayment Shares*

The Brownstone Loan Repayment Shares will be issued by no later than 12 September 2013, which is less than three months after the date of the Meeting.

(viii) The issue price for the Brownstone Loan Repayment Shares

The issue price for the Shares to be issued to Brownstone will be calculated in accordance with the terms of the Loan Agreement, being the 30 day VWAP of the Shares trading on the ASX ending on the day prior to the date of the Meeting.

(ix) The terms of the Brownstone Loan Repayment Shares

The Brownstone Loan Repayment Shares will rank equally with the Shares currently on issue.

(x) Intended use of funds

Since the issue of the Brownstone Loan Repayment Shares constitutes a method of loan repayment under the terms of the Loan Agreement, the Company will not raise any funds as a consequence of the issue.

(xi) Brownstone's intentions as to the future of the Company

Other than as disclosed elsewhere in the Explanatory Memorandum, the Company understands that Brownstone and its associates:

- have no intention of making any significant changes to the business of the Company other than to permit the Company to continue to pursue its current exploration focus in its central Queensland exploration tenements. Eight of these tenements (formerly nine) are the subject of an Option and Joint Venture Agreement with Gold Fields Australasia Pty Ltd announced on 30 July 2012;
- have no intention to inject any further capital into the Company other than on the exercise of Options;
- have no intention of making changes regarding the future employment of the present employees of the Company;
- do not intend to transfer assets between the Company and Brownstone or its associates;
- have no intention to redeploy any fixed assets of the Company; and
- have no intention to significantly change the financial or dividend distribution policies of the Company.

These intentions are based on information concerning the Company, its business and the business environment which is known to Brownstone at the date of this document, and which is limited to the publicly available information of the Company.

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

Directors' Interests

Mr Qiang Chen, a Director of the Company, holds 43.5% of the issued share capital in Brownstone, and is also a director of Brownstone. Other than Mr Qiang, no other Director has any interest in the issued share capital of Brownstone.

Chairman's intention

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 3.

Board Recommendation

The Directors (other than Qiang Chen because of his relationship with Brownstone) recommend that Shareholders vote in favour of Resolution 3.

Glossary

In the Notice of Meeting and Explanatory Memorandum, unless the context otherwise requires:

Extraordinary General Meeting or Meeting means the Extraordinary General Meeting of the Company convened for the purposes of considering the Resolutions to be held at Zamia Metals Limited, Level 6, Tower Building, Chatswood Village 47-53 Neridah Street, Chatswood NSW 2067, Sydney on 18 June 2013 at 9.30am.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange.

Board means the Directors of the Company.

Brownstone means Brownstone International Pty Ltd ACN 085 048 380.

Brownstone Loan Repayment Shares means the proposed issue of Shares to Brownstone in full repayment of the Loan Amount and accrued Interest.

Brownstone Shares means the 7,744,913 Shares issued to Brownstone on 20 December 2012 at an issue price of 2 cents per Share.

Closely Related Party is defined in the Corporations Act and includes a spouse, dependent and certain other close family members, as well as any companies controlled by key management personnel.

Company or Zamia means Zamia Metals Limited ACN 120 348 683.

Constitution means the constitution of the Company.

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

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum attached to this Notice of Meeting.

Independent Expert means Hall Chadwick Corporate (NSW) Limited appointed by the Company to determine whether the proposed issue of the Brownstone Loan Repayment Shares is fair and reasonable to non-associated Shareholders.

Independent Expert's Report means the report prepared by the Independent Expert annexed to the Explanatory Memorandum as Annexure A.

Interest means the interest which has accrued on the Loan Amount under the Loan Agreement.

Listing Rules means the listing rules of the ASX.

Loan Agreement means the Loan Agreement dated 8 March 2013 entered into between the Company and Brownstone.

Loan Amount means the \$800,000 drawn down by the Company under the terms of the Loan Agreement.

Notice or Notice of Meeting means the notice of meeting which accompanies the Explanatory Memorandum.

Options means an option to acquire a Share.

Placement Shares means up to 60,000,000 Shares proposed to be issued subject to Shareholder approval to sophisticated and professional investors on the terms set out in the Explanatory Memorandum.

Record Date means 9.30am (Sydney time) on 15 June 2013 being the date on which a Shareholder must be recorded on the Company's register in order to be entitled to attend and vote at the Meeting.

Resolution means a resolution referred to in the Notice.

Section 606 Prohibition means the prohibition set out in section 606 of the Corporations Act which prevents Brownstone from increasing its voting power from a starting point above 20%.

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

Shareholder means a holder of an ordinary share of the Company.

VWAP means volume-weighted average price.

Annexure A – Independent Expert’s Report

16 May 2013

The Directors
Zamia Metals Limited
Suite 60, Level 6 Tower Building
47-53 Neridah Street
Chatswood NSW 2067

Dear Sirs,

**Independent Expert's Report on the proposed issue of shares to
Brownstone International Pty Limited**

1. INTRODUCTION

Background

- 1.1 Zamia Metals Limited ("Zamia" or "the Company") is an Australian mineral exploration company, targeting the Clermont district of central Queensland, a known gold and emerging porphyry mineral province.
- 1.2 On 12 March 2013 Zamia announced that it has entered into a Loan Agreement with Brownstone International Pty Limited ("Brownstone"), a substantial shareholder of the Company, to provide \$800,000 in the form of a short-term loan to provide additional working capital (the "Loan") for the Company's current exploration program. The Loan matures on a date 6 months after drawdown of funds and at the Company's sole discretion, is either repayable as cash or is convertible into Zamia shares, subject to the approval of Zamia shareholders.
- 1.3 In December 2012 the Company issued 7,744,913 Shares to Brownstone at an issue price of \$0.02 per Share to raise \$154,898 for working capital purposes. A previous loan was advanced by Brownstone in August 2012 for \$500,000 and was subsequently repaid in January 2013 by the issue of shares at an issue price of \$0.03 per share and one option for every four shares issued with an exercise price of \$0.05 per option.
- 1.4 If the current Loan is converted, the relevant equity interest held by Brownstone in Zamia would increase from 24.98% to approximately 41.03% of Zamia's issued ordinary shares, prior to the exercise of options held by parties not associated with the Transaction. Further, if all options over unissued shares of Zamia held by Brownstone were to be exercised and Shares are issued (assuming no other shares are issued in the Company and no other options are exercised) Brownstone's voting power in the Company will increase to approximately 41.76%.

HALL CHADWICK
CORPORATE (NSW) LIMITED

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firms

- 1.5 The possible issue of shares by Zamia to Brownstone as detailed above and in section 2, is referred to in this report as the “Transaction”.

Opinion

- 1.6 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Zamia.
- 1.7 The ultimate decision however on whether to accept the proposed Transaction should be based on Zamia shareholders own assessment of their circumstances.

Purpose of Report

- 1.8 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of Zamia other than those associated with the proposed issue of Zamia shares to Brownstone (“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.
- 1.9 HCC understands and has agreed that this report will accompany the notice to convene a meeting of Zamia shareholders, to assist the Non-Associated Shareholders in their consideration of the resolution regarding the issue of shares under the Transaction to be considered at a General Meeting.

2. THE PROPOSED TRANSACTION

- 2.1 On 8 March 2013 Zamia entered into a Loan Agreement with Brownstone, a substantial shareholder of the Company, to provide a Loan of \$800,000 to provide additional working capital.
- 2.2 The Loan is unsecured and matures on 12 September 2013, being 6 months after drawdown of funds (“Loan Maturity Date”). At the Company’s sole discretion, the Loan is either repayable as cash or is convertible into Zamia shares, subject to the approval of Zamia shareholders.
- 2.3 If converted, the Loan (and interest which accrues at a rate of 8% p.a.) will be satisfied by an issue of Zamia shares at a price calculated as the 30 day VWAP (volume weighted average price) for Zamia shares traded on the ASX in the period ending one day prior to the date of the Extraordinary Meeting of Zamia shareholders to consider for approval the issuance of Zamia shares in full satisfaction of the Loan and Interest (the “Conversion Price”).
- 2.4 The Loan and accrued Interest is repayable either in cash or by the issue of the Shares to Brownstone. The Zamia Board of Directors has formed the view that the issue of Shares in satisfaction of the Loan repayment is preferable to cash repayment on the basis that the Company requires funds as working capital to continue exploration for copper and gold in its central Queensland tenements as well as to carry out further investigatory work on the Anthony project.
- 2.5 Assuming shareholder approval of the Loan, Zamia intend to repay the Loan and accrued interest immediately following the meeting of shareholders. The amount to be repaid to Brownstone under the Loan Agreement is \$816,000, consisting of the Loan Amount of \$800,000 plus Interest of \$16,000 accruing for three months to the intended date of repayment. The VWAP for the month of March of Zamia shares prior to the announcement of the Transaction on 12 March 2013 was \$0.011. The total value of the Loan and accrued interest based on a Conversion Price of \$0.011 is shown in the table below:

Value of Loan	Loan Value	Share Price	No. Shares
Loan Principal	800,000	0.011	72,727,273
Interest @ 8% p.a. for 3 months	16,000	0.011	1,454,545
Conversion Value	816,000	0.011	74,181,818

- 2.6 The following table shows the effect on the share capital of Zamia after the Transaction. No options are included in the current Transaction.

Effect on Ordinary Shares	Number of Shares
Ordinary shares currently on issue	272,574,522
Shares issued to Brownstone	74,181,818
Total ordinary shares on issue after Transaction	<u>346,756,340</u>

- 2.7 Brownstone already holds 68,095,607 ordinary shares in Zamia, representing a 24.98% equity interest, and a further 4,323,744 options to acquire Zamia shares. If the Transaction is approved and completed, and the Loan is converted, Brownstone will be

entitled to an interest of approximately 41.03% of Zamia's issued ordinary shares. Further, if all options over unissued shares of Zamia held by Brownstone were to be exercised and Shares are issued (assuming no other shares are issued in the Company and no other options are exercised) Brownstone's voting power in the Company will increase to approximately 41.76%.

Further Placement of Shares

- 2.8 The above Transaction and capital structure of Zamia does not include a further placement of shares being proposed by Zamia at the same general meeting to approve the Transaction.
- 2.9 The Board has resolved, subject to Shareholder approval, to make a Placement of up to 60,000,000 shares to sophisticated and professional investors.
- 2.10 Should both the Transaction and the Placement be approved and completed, Brownstone's voting interest in Zamia would be approximately 34.98%, or 35.66% diluted for the options held by Brownstone.

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 ZAMIA
- 8 VALUATION METHODOLOGIES
- 9 VALUE OF ZAMIA
- 10 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 11 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 Zamia of the fairness and reasonableness of the Transaction.

This report provides an opinion on whether or not the terms and conditions in relation to the transaction are fair and reasonable to the Zamia shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).

The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' 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.

For the Transaction to be fair, the value of the consideration being paid by Brownstone must be equal to or greater than the value of the Zamia shares to be issued to Brownstone on conversion of the Loan and accrued interest. To be reasonable the shareholders must obtain an overall benefit if the transaction proceeds.

- 3.2 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act").

Corporations Act Requirements

- 3.3 Brownstone is a major Shareholder of the Company and prior to the Transaction holds a 24.98% interest in the Company, or 26.15% inclusive of options currently held by Brownstone. Mr Qiang Chen is a Director of the Company. Mr Chen is also a director and major shareholder of Brownstone, holding approximately 43.5% of Brownstone's issued share capital.

- 3.4 If the Transaction is approved, Brownstone will be entitled to an approximate interest of 41.03% in Zamia's issued ordinary shares, and up to 41.76% inclusive of options over unissued shares of Zamia held by Brownstone. Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases from under 20% to above 20%, or from a starting point that is above 20% and below 90%. Section 606(1) prohibits Brownstone from acquiring the issued ordinary shares in Zamia under the Transaction, unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.

- 3.5 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of Zamia passed at a general meeting as per Section 611. This is the exception which is being relied upon by the Zamia shareholders. At the general meeting of Zamia no votes will be allowed to be cast by those persons (or their associates) acquiring shares under the Transaction (that is, Brownstone).

- 3.6 Section 208 of the Corporations Act specifies a public company must not give a financial benefit (including acquisition of an asset) to a related party without shareholder approval. Section 228(2) of the Corporations Act defines a related party as the following:
- Directors of the public company;
 - Directors of an entity that controls the public company;
 - If the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
 - Spouses and de-facto spouses of the persons referred to above.
- 3.7 Mr Chen is a director of both Zamia and Brownstone. However, on the basis of information provided by Mr Chen to the Company, Mr Chen does not have control or influence over Brownstone’s affairs or the composition of its board and, accordingly, Brownstone is not considered to be a related party of the Company. On the basis that no financial benefit is being provided to a related party of Zamia, Section 208 of the Corporations Act has been deemed not applicable to this Transaction.
- 3.5 Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 “Content of Experts Reports” requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert’s report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

ASX Listing Rules

- 3.6 ASX Listing Rule 7.1 states that without the approval of holders of ordinary shares, an entity must not issue or agree to issue more equity securities than the number calculated according to the following formula:

$$(A \times B) - C$$

Where:

- A = The number of fully paid ordinary securities on issue 12 months prior to the date of agreement;
- Plus the number of fully paid ordinary securities issued under an exception in ASX Listing Rule 7.2,
 - Plus the number of partly paid ordinary securities that became fully paid in the 12 months,
 - Plus the number of fully paid ordinary securities that become fully paid in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1,
 - Less the number of fully paid ordinary securities cancelled in the 12 months.

B = 15%

C = The number of equity securities issued or agreed to be issued in the 12 months before the date of the issue or agreement to issue but under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

- 3.7 The potential issue of shares under the Transaction will result in an issue of Zamia shares greater than allowed under the above formula. Accordingly, under ASX Listing Rule 7.1 Zamia must obtain approval from the holders of the ordinary shares.
- 3.8 ASX Listing Rule 7.3 sets out the items to be included in the notice of general meeting of shareholders. Listing Rule 7.3 does not specifically require the notice to include a copy of an independent expert's report commenting on the issue.

4. OPINION

4.1 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Zamia.

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 For the Transaction to be fair, the value of the consideration being paid by Brownstone, (being the Loan and accrued interest) must be equal to or greater than the value of the Zamia shares to be issued to Brownstone on conversion of the Loan. As Brownstone already hold a 24.98% voting interest in Zamia we have not discounted the post-Transaction value of Zamia shares for a minority interest in determining the fairness of the Transaction to Non-Associated Shareholders.

4.4.1 The Conversion Price is the 30 day VWAP (volume weighted average price) for Zamia shares traded on the ASX in the period ending one day prior to the date of the Extraordinary Meeting of Zamia shareholders to consider the Transaction.

4.4.2 The VWAP for the month of March 2013 of Zamia shares prior to the announcement of the Transaction on 12 March 2013 was \$0.011. Assuming the applied VWAP is \$0.011 per share, the conversion value of the Loan and accrued interest is **\$816,000** to the intended date of repayment, which equates to the issue of 74,181,818 Zamia shares as shown in the table below:

Value of Loan	Loan Value	Share Price	No. Shares
Loan Principal	800,000	0.011	72,727,273
Interest @ 8% p.a. over 6 months	16,000	0.011	1,454,545
Conversion Value	816,000	0.011	74,181,818

4.4.3 Based on the analysis contained in section 9 of this report, the indicative value of the Zamia shares is shown in the following tables:

Value of Securities	# Issued	Low	High	Midpoint
Share value – controlling interest basis		0.010	0.019	0.013
Total Value of Shares	74,181,818	741,818	1,409,455	964,364

4.4.4 As the consideration per share being paid by Brownstone (being the Conversion Price) is based on the VWAP of Zamia shares and is within the value range attributed to Zamia shares, in our opinion the Transaction is fair.

Reasonable

4.5 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.

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

- The Transaction may provide an opportunity for Zamia to continue its business activities in the short-term.
- The Zamia share price is likely to fall in the event the Transaction is not approved as it may result in Zamia not being able to access the additional working capital needed to repay the Loan.
- Given that the Company requires a large amount of working capital to achieve its business objectives, it will have difficulty in meeting these objectives without the contribution of funds in the short and medium term. The Company's cash reserves as at 31 December 2012 totalled \$0.42 million. However we note the Company had a deficiency in operating cash flows of \$3.24 million in FY2012 and \$0.69 million for the six months to 31 December 2012, and to meet exploration project capital expenditure requirements, additional funding is required.
- Zamia may not have the funds to repay a loan if it were taken as finance without equity conversion. In this circumstance the right to convert to equity rather than repay the loan is held by the Company.
- If approval is not given by Shareholders to convert the Loan and accrued interest in shares it is possible the Company may not have the funds to repay the Loan and accrued interest in cash and may become insolvent.
- The Board has formed the view that the issue of shares in satisfaction of the Loan repayment is preferable to cash repayment on the basis that the Company requires funds as working capital for the Company to continue exploration for copper and gold in its central Queensland tenements as well as to carry out further investigatory work on the Anthony project.
- Although not a condition of the Transaction or an interdependent resolution, Zamia also intend to conduct a Placement of up to 60,000,000 shares to sophisticated and professional investors to assist with the Company's working capital requirements, including continuation of the current exploration programme on the Company's tenements.

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

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to Zamia Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions 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 the consideration being paid by Brownstone in the form of the Loan conversion) is equal to or greater than the value of the shares being issued. 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, if after considering other non-financial factors the shareholders should still accept the offer.
- 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 consideration to be paid under the proposal and the value of the shares being issued is only one element of this assessment.
- 5.4 Additionally we have considered whether any shareholder will obtain a level of control in Zamia 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 Brownstone will obtain a significant influence in Zamia 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 Zamia.
- 5.6 In evaluating the Transaction, we have considered the value of the Zamia shares being issued and compared this to the amount of consideration to be paid by Brownstone. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in Zamia 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 Zamia;
 - The value of Zamia shares, under various methodologies;
 - Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Share trading history of Zamia shares;
 - The likely value and liquidity of Zamia shares in the absence of the acquisition.

- 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 The auditors of Zamia are Hall Chadwick Chartered Accountants and Business Advisors Sydney Partnership (“HC Sydney”), who earn a fee for this audit service. The partners of HC Sydney have a 100% interest in HCC. The team working on this report are different to staff involved in the audit of Zamia. HCC adopts internal procedures and structures to safeguard our independence from Zamia and manage any perceived conflict of interest arising from the role of HC Sydney as auditors of Zamia. We have analysed and reviewed information provided by the Directors of Zamia 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.

6 BACKGROUND

- 6.1 Zamia was officially listed on the ASX on 10 January 2007 as an Australian mineral exploration company, targeting the Clermont district of central Queensland, a known gold and emerging porphyry mineral province. Further information on Zamia's business operations can be found at Section 7 of this report.
- 6.2 Zamia has continued to rely on its major shareholders to fund the Company's exploration activities and to advance mineral exploration projects.
- 6.3 Zamia has entered into a Loan Agreement with Brownstone to provide a Loan of \$800,000. The Loan is unsecured and matures on a date 6 months after drawdown of funds (Loan Maturity Date).
- 6.4 Brownstone is a substantial shareholder of the Company, currently holding a 24.98% equity interest, or 26.15% inclusive of options currently held by Brownstone. The Loan from Brownstone will provide additional working capital and at the Company's sole discretion, is either repayable as cash or is convertible into Zamia shares, subject to the approval of Zamia shareholders.
- 6.5 If converted, the Loan (and interest which accrues at a rate of 8% p.a.) will be satisfied by an issue of Zamia shares at a price calculated as the 30 day VWAP (volume weighted average price) for Zamia shares traded on the ASX for the period ending one day prior to the date of the Extraordinary Meeting of Zamia shareholders to consider for approval the issuance of Zamia shares in full satisfaction of the Loan and Interest (the "Conversion Price").
- 6.6 If Zamia does not issue a Conversion Notice to Brownstone prior to the Loan Maturity Date or if Zamia shareholders do not approve the loan conversion, the Loan and accrued interest must be repaid by Zamia on the Loan Maturity Date unless the parties agree otherwise.

7. OVERVIEW OF ZAMIA

7.1 Corporate Overview

7.1.1 Zamia is a mineral exploration company focusing on gold, molybdenum and copper in Central Queensland.

7.1.2 The Clermont District in Central Queensland is part of a recognised gold province which extends north to beyond Charters Towers. Known gold deposits are of both epithermal and shear zone-hosted style. Zamia's discovery of the Anthony porphyry molybdenum (Mo) deposit has further highlighted the region as a significant target for bulk tonnage copper, molybdenum and gold porphyry-type deposits. Zamia has a strategic "first-mover" advantage in this area and has acquired its tenements to maximise this advantage.

7.1.3 Directors and Senior Management include:

Mr Alan Humphris (Non Exec. Chairman)
Dr Ken Maiden (Non Exec. Director)
Mr Qiang Chen (Non Exec. Director)
Mr Andrew Skinner (Non Exec. Director)
Mr Jordan Li (CEO)
Mr Barry Neal (CFO)
Mr John Stone (Company Secretary)

7.2 Business Activities

7.2.1 The Company's current exploration focus is on copper and gold mineralisation at its central Queensland Exploration Permits for Minerals ("EPM's"). Nine of these EPM's are the subject of an Option and Joint Venture Agreement with Gold Fields Australasia Pty Ltd as announced to the market on 30 July 2012.

7.2.2 **Anthony Molybdenum Prospect:** This molybdenum project is located approximately 2km south-west of the Belyando mine site and about 70km north of Clermont. Resource estimates have been carried out by consultants in accordance with the JORC Code & Guidelines. When near-surface oxide and transition (partly oxidised) material is taken into account, the total resource is 318Mt at 385ppm Mo, including 25Mt at 782ppm Mo. Mo mineralisation is hosted by non-magnetic porphyritic intrusives and metamorphic rocks of the Anakie Group. Detailed logging of drill core is showing a complex geological system involving multiple igneous intrusions, extensive multi-phase rock alteration, brecciation and multiple vein-forming events. The deposit features a large porphyry molybdenum (Mo) deposit which is open at depth (below 300m) and laterally.

7.2.3 **Regional Exploration:** Zamia presently holds a package of tenements covering over 1300 km² of ground regarded as highly prospective for gold, copper and other metals as well as molybdenum. The Company is targeting epithermal and porphyry-style deposits. Both these deposit styles appear to be structurally related notably to the contact between older rocks of the Anakie Metamorphics and the younger Silver Hills Volcanics. Zamia's tenements straddle this stratigraphic boundary as well as targeting isolated Anthony-style magnetic hot spot anomaly features. These hot spots represent magnetic intrusive complexes that have invaded the Anakie Metamorphic rocks. Zamia's exploration strategy therefore is to cover the favourable structural contacts and magnetic hot spot

zones with broad-based geochemical sampling methods. Identified anomalies are being followed up with detailed sampling, geophysical surveys and or drilling programmes.

Future Strategic Options

- 7.2.4 The Company has been pursuing a two-track strategy that provides a focus on gold exploration while reviewing JV options for the Anthony molybdenum project. Zamia regards the Clermont district in Central Queensland to be highly prospective for gold, copper and other metals, as well as molybdenum. Priorities have been given to an expanded exploration program outside of the Anthony project area. Initial exploration activities on 13 Exploration Permits for Minerals (EPMs) include induced polarisation (IP) surveys, soil geochemistry and mapping over the areas identified as priority targets.
- 7.2.5 As announced to the market on 30 July 2012 Zamia has signed an Option and Joint Venture Agreement with Gold Fields Australasia Pty Ltd to explore for gold and copper on 9 of Zamia's EPMs. Under the Agreement Gold Fields can earn rights to explore in two option periods by funding \$10 million in exploration expenditure to earn up to a 70% joint venture interest in 3 EPMs, nominated by Gold Fields, out of the 9 EPMs which are the subject of the Agreement. The Company believes that Gold Fields' exploration expertise will contribute significantly to the proposed investigation of existing and potential gold and copper-gold targets in these EPMs.

7.3 Financial Information

7.3.1 Set out below is the reviewed Consolidated Balance Sheet of Zamia as at 31 December 2012.

ZAMIA METALS LIMITED	
CONSOLIDATED BALANCE SHEET	
AS AT 31 DECEMBER 2012	
CURRENT ASSETS	
Cash and cash equivalents	424,409
Other current assets	19,195
	<u>443,604</u>
NON-CURRENT ASSETS	
Plant and equipment	56,581
Other non-current assets	50,000
	<u>106,581</u>
TOTAL ASSETS	550,185
CURRENT LIABILITIES	
Trade and other payables	104,817
Borrowings ¹	500,000
Short term provisions	40,552
	<u>645,369</u>
TOTAL LIABILITIES	645,369
NET ASSETS	(95,184)
EQUITY	
Contributed equity	19,195,567
Reserves	2,286,722
Retained losses	<u>(21,577,473)</u>
TOTAL EQUITY	(95,184)

¹ The loan from Brownstone was subsequently repaid by the issue of shares and options at an issue price of \$0.03 each. The conversion of this loan would increase net assets to \$404,816 based on the 31 December 2012 accounts.

7.3.2 Set out below is the audited Consolidated Profit and Loss Statements of Zamia for the financial years ended 30 June 2011 (“FY 2011”) and 30 June 2012 (“FY 2012”), and half year ended 31 December 2012 (“HY1 2013”).

ZAMIA METALS LIMITED			
CONSOLIDATED PROFIT AND LOSS STATEMENT			
	HY1 2013	FY 2012	FY 2011
	6 months	12 months	12 months
Other Revenue	99,929	78,520	65,125
Other Income	-	104	-
Administrative Service fees	-	(116,635)	(237,649)
Consultancy fees	(38,140)	(198,759)	(215,307)
Occupancy expense	(60,585)	(80,141)	(33,190)
Directors’ remuneration	(43,000)	(117,000)	(140,000)
Depreciation and amortisation expense	(18,796)	(26,436)	(18,703)
Compliance costs	(38,949)	(37,082)	(103,951)
Exploration and evaluation expenditure	(290,296)	(1,903,883)	(4,240,896)
Employee benefits expense	(173,059)	(332,629)	(632,152)
Other expenses	(121,803)	(258,619)	(286,588)
(Loss) before Income Tax	(684,699)	(2,992,560)	(5,843,311)

7.3.3 The Company’s Audit Reports from 2010 through to 2012 all contained an Emphasis of Matter paragraph regarding a material uncertainty as to the Company’s ability to continue as a going concern due to the continual losses being incurred and other matters as set forth in the notes to the financial statements.

8. VALUATION METHODOLOGIES

8.1 Selection of Methodology

8.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to Zamia shares.

8.1.2 In assessing the value of Zamia 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 security holders on an orderly realisation of assets;
- Comparable Market Transactions: the identification of comparable sale transactions.

We consider each of these valuation methodologies below.

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

This method involves the valuation of an entity based on its actively traded equities, which represent 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.

Although the liquidity of the market for Zamia shares is less than ideal to justify the use of the market value of the quoted equity as a basis for the valuation, some of the alternative methods are less appropriate. We therefore consider that adopting a market value of shares methodology to determine an indicative value of Zamia 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 Zamia shares.

8.1.4 *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.

This method is not considered to be appropriate for the valuation of Zamia because Zamia is still at the exploration and development stage of operations.

8.1.5 *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 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.

The future profits of Zamia are dependent on the successful exploration and development of its mining interests. Directors have advised that at this stage they are unable to provide reliable cash flow forecasts on which to base a valuation and a cash flow valuation approach is not appropriate.

8.1.6 *Realisation of Assets*

As Zamia is predominantly a mineral exploration business, the book value of the assets are not representative of the inherent value of the business. The business operated by Zamia is based on exploration assets, the value of which may change significantly as exploration and evaluation activities progress. Hence, the valuation of net assets may not be representative of the value of a mining exploration business such as Zamia.

8.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable sale transactions to a similar industry company or business to that being valued.

We have determined that this method is not considered appropriate for valuing Zamia due to the following:

- i. Lack of comparable transactions: Most comparable businesses are different in terms of type and stage of operations and geographical locations;
- ii. Lack of historical or current earnings as a basis for applying a multiple of revenues or earnings.

8.2 Premium for Control

8.2.1 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) a 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.

8.2.2 Our experience suggests that the premium for control (over and above the market price of the Company's shares) ranges, on average, between 20% and 35%. 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.

8.2.3 The premium for control paid in takeovers is observable but 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 an average 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 raising.

8.2.4 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.

- 8.2.5 A premium for control is relevant to the Transaction, as it will result in Brownstone owning approximately 41.03% of the shareholding in Zamia, and up to 41.76% inclusive of options over unissued shares of Zamia held by Brownstone.
- 8.2.6 For the reasons detailed above, we have determined that the change in the level of ownership is sufficient in the proposed transaction to require a premium for control to be included when valuing the Zamia shares.
- 8.2.7 As detailed above, although a premium for control ranges, on average, between 20% and 35%, we have applied a premium for control of only 10% to the value of Zamia shares based on the following:
- a) Brownstone will not obtain full control of Zamia and shareholders will retain an opportunity to obtain a premium on any subsequent increase in control by Brownstone, any other shareholder, or a sell-down to a third party;
 - b) As Brownstone will hold less than a 50% interest in Zamia, Brownstone will not obtain full control over decision making regarding the acquisition and disposal of assets, the redeployment of the proceeds, the appointment of directors, management policy and the strategic direction of Zamia;
 - c) Zamia is still in its exploration and development stage of operations and is incurring losses. Zamia will require further capital raisings in the future as it is unlikely in the short term to generate sufficient cash flows to sustain its operations. Further capital raisings will potentially change the shareholding position of Brownstone;
 - d) No free cash flows are available to be extracted by obtaining any control of Zamia, after allowing for capital commitments on exploration projects.

9 VALUE OF ZAMIA

9.1 General

9.1.1 This section sets out an assessment of the underlying value of Zamia shares.

9.1.2 We have selected the market value of shares valuation methodology for Zamia as detailed in section 8.

9.2 Market Value of Shares

9.2.1 In our opinion the value of Zamia 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.

9.2.2 Following is a graph of the trading of Zamia shares over the last twelve months:



9.2.3 The table below sets out the movement of Zamia share prices and trading over the last 12 months to the date of the Transaction announcement on 12 March 2013:

	Low \$	High \$	VWAP (1)	Volume
1 month	0.009	0.013	0.011	581,091
2 months	0.009	0.017	0.012	971,053
3 months	0.009	0.017	0.013	1,493,786
6 months	0.009	0.023	0.015	2,145,426
12 months	0.009	0.047	0.024	4,940,863

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

- 9.2.4 Subsequent to the announcement Zamia shares have traded at a VWAP of \$0.010 per share.
- 9.2.5 We conclude that the value of the Zamia shares under the market value approach for the purpose of this report is within \$0.009 and \$0.017 per share, with a VWAP of \$0.012 per share, being the VWAP in the last two months of trading. We note this valuation is on a portfolio basis and does not reflect a premium for control.
- 9.2.6 Inclusive of a 10% premium for control, the value of the Zamia shares for the purpose of this Transaction is in the range of \$0.010 to \$0.019 with a VWAP of \$0.013 per share.

10 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

10.1 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.

10.2 Advantages of the Transaction

- 10.2.1 The Transaction will allow Zamia to continue its business activities in the short-term.
- 10.2.2 The Zamia share price is likely to fall in the event the Transaction is not approved as it may result in Zamia not being able to access additional working capital needed to continue its activities.
- 10.2.3 Given that the Company requires a large amount of working capital to achieve its business objectives, it will have difficulty in meeting these objectives without the contribution of funds in the short and medium term. The Company's cash reserves as at 31 December 2012 totalled \$0.42 million. However we note the Company had a deficiency in operating cash flows of \$3.24 million in FY2012 and \$0.69 million for the six months to 31 December 2012, and to meet exploration project capital expenditure requirements, additional funding is required.
- 10.2.4 Zamia may not have the funds to repay a loan if it were taken as finance without equity conversion. In this circumstance the right to convert to equity rather than repay the loan is held by the Company. If approval is not given by Shareholders to convert the Loan and accrued interest in shares it is possible the Company may not have the funds to repay the Loan and accrued interest in cash and may become insolvent.
- 10.2.5 The Board has formed the view that the issue of shares in satisfaction of the Loan repayment is preferable to cash repayment. If approval is not given by Shareholders to convert the Loan and accrued interest in shares it is possible the Company may not have the funds to repay the Loan and accrued interest in cash and may become insolvent.
- 10.2.6 Although not a condition of the Transaction or an interdependent resolution, Zamia also intend to conduct a Placement of up to 60,000,000 shares to sophisticated and professional investors to assist with the Company's working capital requirements, including continuation of the current exploration programme on the Company's tenements.

10.3 Disadvantages of the Transaction

- 10.3.1 There may be other opportunities Zamia will not be able to undertake to realise the value of its assets if it accepts this Transaction due to the controlling interest being obtained by Brownstone.
- 10.3.2 The transaction will result in the dilution of Non-associated Shareholders interest from 75.02% to approximately 58.72%.

11 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

11.1 Fairness

11.1.1 For the Transaction to be fair, the value of the consideration being paid by Brownstone, (being the Loan and accrued interest) must be equal to or greater than the value of the Zamia shares to be issued to Brownstone on conversion of the Loan.

11.1.2 The Conversion Price is the 30 day VWAP (volume weighted average price) for Zamia shares traded on the ASX in the period ending one day prior to the date of the Extraordinary Meeting of Zamia shareholders to consider the Transaction. The VWAP for the month of March 2013 of Zamia shares prior to the announcement of the Transaction on 12 March 2013 was \$0.011. Assuming the applied VWAP is \$0.011 per share, the conversion value of the Loan and accrued interest to the intended date of repayment is **\$816,000**, which equates to a total of 74,181,818 shares as shown in the table below:

Value of Loan	Loan Value	Share Price	No. Shares
Loan Principal	800,000	0.011	72,727,273
Interest @ 8% p.a. over 6 months	16,000	0.011	1,454,545
Conversion Value	816,000	0.011	74,181,818

11.1.3 Based on the analysis contained in section 9 of this report, the indicative value of the Zamia shares is shown in the following tables:

Value of Securities	# Issued	Low	High	Midpoint
Share value – controlling interest basis		0.010	0.019	0.013
Total Value of Shares	74,181,818	741,818	1,409,455	964,364

11.1.4 As the consideration per share being paid by Brownstone (being the Conversion Price) is based on the VWAP of Zamia shares and is within the value range attributed to Zamia shares, in our opinion the Transaction is fair.

11.2 Reasonableness

11.2.1 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.

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

- The Transaction may provide an opportunity for Zamia to continue its business activities in the short-term.

- The Zamia share price is likely to fall in the event the Transaction is not approved as it may result in Zamia not being able to access the additional working capital needed to repay the Loan.
- Given that the Company requires a large amount of working capital to achieve its business objectives, it will have difficulty in meeting these objectives without the contribution of funds in the short and medium term. The Company's cash reserves as at 31 December 2012 totalled \$0.42 million. However we note the Company had a deficiency in operating cash flows of \$3.24 million in FY2012 and \$0.69 million for the six months to 31 December 2012, and to meet exploration project capital expenditure requirements, additional funding is required.
- Zamia may not have the funds to repay a loan if it were taken as finance without equity conversion. In this circumstance the right to convert to equity rather than repay the loan is held by the Company.
- If approval is not given by Shareholders to convert the Loan and accrued interest in shares it is possible the Company may not have the funds to repay the Loan and accrued interest in cash and may become insolvent.
- The Board has formed the view that the issue of shares in satisfaction of the Loan repayment is preferable to cash repayment on the basis that the Company requires funds as working capital for the Company to continue exploration for copper and gold in its central Queensland tenements as well as to carry out further investigatory work on the Anthony project.
- Although not a condition of the Transaction or an interdependent resolution, Zamia also intend to conduct a Placement of up to 60,000,000 shares to sophisticated and professional investors to assist with the Company's working capital requirements, including continuation of the current exploration programme on the Company's tenements.

Accordingly, in our opinion, having considered the advantages of the Transaction and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of Zamia should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND

APPENDIX I - SOURCES OF INFORMATION

- Zamia Metals Limited Audited Financial Reports for the years ended 30 June 2011 and 30 June 2012;
- Zamia Metals Limited Reviewed Financial Report for the half year ended 31 December 2012;
- Zamia Metals Limited Notice of General Meeting and Explanatory Memorandum;
- Loan Agreement between Zamia and Brownstone;
- Zamia Company registry details;
- Zamia share trading history;
- Market announcements, quarterly reports and information provided by Management on Zamia;
- Regulatory Guide 74 'Acquisitions Agreed to by Shareholders';
- Regulatory Guide 111 'Content of Expert Reports';
- Regulatory Guide 112 'Independence of Expert's Reports'; and
- 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 Zamia and Brownstone 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 Zamia and Brownstone.

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 Zamia or Brownstone, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, who is a licensed investment adviser and registered company auditor, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this 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.

The auditors of Zamia are Hall Chadwick Chartered Accountants and Business Advisors Sydney Partnership (“HC Sydney”), who earn a fee for this audit service. The partners of HC Sydney have a 100% interest in HCC. The team working on this report are different to staff involved in the audit of Zamia. HCC adopts internal procedures and structures to safeguard our independence from Zamia and manage any perceived conflict of interest arising from the role of HC Sydney as auditors of Zamia. We have analysed and reviewed information provided by the Directors of Zamia and made further enquiries where appropriate.

HCC provided a draft copy of this report to the Directors of Zamia 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 of Zamia 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 Zamia and Brownstone as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its 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. HCC does not imply and it should not be construed that it has audited or in anyway 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.

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

Qualifications

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 29, St Martin’s Tower, 31 Market 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 Zamia. 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 Zamia 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 Zamia shareholders.

Shareholders should read all documents issued by Zamia 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 Zamia. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a non-associated shareholder of Zamia, 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.

HCC its officers, representatives, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in the documents for any loss or damage suffered by any person directly or indirectly through reliance on this information.

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 16 May 2013

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 Notice of Meeting (NOM). The purpose of the NOM is to help you make an informed decision in relation to the Transaction. The contents of the NOM, as relevant, will include details such as the risks, benefits and costs of the Transaction.

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 Zamia Metals Limited ("Zamia" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (NOM) prepared by Zamia in relation to the proposed issue of shares by Zamia (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 NOM. 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 NOM 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 \$15,000 (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 or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice.

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, director of HCC and partner in the Hall Chadwick Sydney Partnership, has 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.

HC entities have provided, and continue to provide, a range of audit and taxation services to the Client for which professional fees are received. The auditors of Zamia are Hall Chadwick Chartered Accountants and Business Advisors Sydney Partnership ("HC Sydney"), who earn a fee for this audit service. The partners of HC Sydney have a 100% interest in HCC. HCC are not the auditors of Zamia. The team working on this report are different to staff involved in the audit of Zamia. HCC adopts internal procedures and structures to safeguard our independence from Zamia and manage any perceived conflict of interest arising from the role of HC Sydney as auditors of Zamia.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of the Client or has any 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



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 9:30am (Sydney Time) on Sunday 16th June 2013.**

💻 TO VOTE ONLINE

STEP 1: VISIT www.boardroomlimited.com.au/vote/zgmegm2013

STEP 2: Enter your holding/investment type:

STEP 3: Enter your Reference Number:

STEP 3: Enter your Voting Access Code:

PLEASE NOTE: For security reasons it is important you keep the above information confidential.

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 Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman 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 Chairman 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 securityholder 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 securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders 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 **9:30am (Sydney Time) on Sunday, 16th June 2013.** 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:

💻 **Online** www.boardroomlimited.com.au/vote/zgmegm2013

📠 **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.

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 **Zamia Metals Limited** and entitled to attend and vote hereby appoint

Appoint the **Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman 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 Extraordinary General Meeting of the Company to be held at the **Company office, Level 6, Tower Building, Chatswood Village, 47-53 Neridah Street, Chatswood** on **Tuesday, 18th June, 2013 at 9:30am (Sydney Time)** 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 Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

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	Ratification of a prior issue of Shares on 20 December 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approve a Proposed Placement of Shares to Sophisticated and Professional Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approve the Proposed Issue of the Brownstone Loan Repayment Shares	<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 <div style="border: 1px solid black; height: 30px; width: 100%;"></div> Sole Director and Sole Company Secretary	Securityholder 2 <div style="border: 1px solid black; height: 30px; width: 100%;"></div> Director	Securityholder 3 <div style="border: 1px solid black; height: 30px; width: 100%;"></div> Director / Company Secretary
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Contact Name..... Contact Daytime Telephone..... Date / / 2013