



11 October 2016

The Manager
Company Announcements
Australian Securities Exchange
Level 4,
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Acquisition of Coal Mining Business and Associated Capital Raising

Zamia Metals Limited (ASX: ZGM) (**Zamia** or the **Company**) is pleased to announce that it has entered into a binding share sale and purchase agreement (subject to conditions) in respect of all of the issued capital in Kirkham International Pte Limited (**Kirkham**), that owns, via subsidiaries, a mining permit for a coal mine on the island of Central Kalimantan, Indonesia.

The Company has also raised \$250,000 in a debt facility which will be converted into ordinary shares (subject to various conditions) that will provide working capital to be used primarily to meet costs related to the transaction with Kirkham.

Highlights

- Acquisition of all of the shares in Kirkham.
- Through its 95% owned subsidiary, Kirkham holds a mining permit for coal in Indonesia with total area 4,798 hectares (the **Coal Concession**). The Coal Concession is located in the coking coal province of Central Kalimantan, Indonesia, and is surrounded by a number of operating coking coal mines. The remaining 5% is owned by Indonesian interests.
- The Coal Concession has been held since 2005 during which time baseline exploration activities, drilling, mining assessments and mining activities have been conducted.
- Initial mining has been in progress since April 2015 as part of the preliminary "South Pit" development, prior to a larger development occurring in the "North Pit".
- Further exploration will occur over the forthcoming 12 months as only 5% of the Coal Concession has been explored.
- The purchase price of \$24,300,000 for the shares in Kirkham is to be satisfied by the issue of ordinary shares in the Company to the shareholders of Kirkham (or their nominees). Kirkham has issued a Bond of US\$7.6 million that is due for repayment on 30 June 2018 and which was used to develop the Coal Concession. This Bond is listed on the Singapore stock exchange and is not convertible.
- To fund working capital, the Company plans to undertake a rights issue of ordinary shares to shareholders or other capital raising of at least \$2.5 million (**Capital Raising**). Gleneagle Securities (Aust) Pty Limited has agreed to underwrite the rights issue, subject to terms and conditions that are customary for such an underwriting including all existing director and shareholder loans to be converted into ordinary shares pursuant to the underwriting and the completion of formal documentation.
- The transaction is conditional on Zamia shareholder approval, successful completion of the Capital Raising and re-compliance with Chapters 1 & 2 of the ASX Listing Rules by



the Company.

About Kirkham

Overview

Kirkham International is the owner of 95% of PT Borneo Coal Indonesia (**BPCI**), an Indonesian coal mining company, which holds an *IUP Operasi Produksi* (IUP) (operation and production permit) for the production of coal in an area of 4,798 hectares in Central Kalimantan, Indonesia.

The Mine

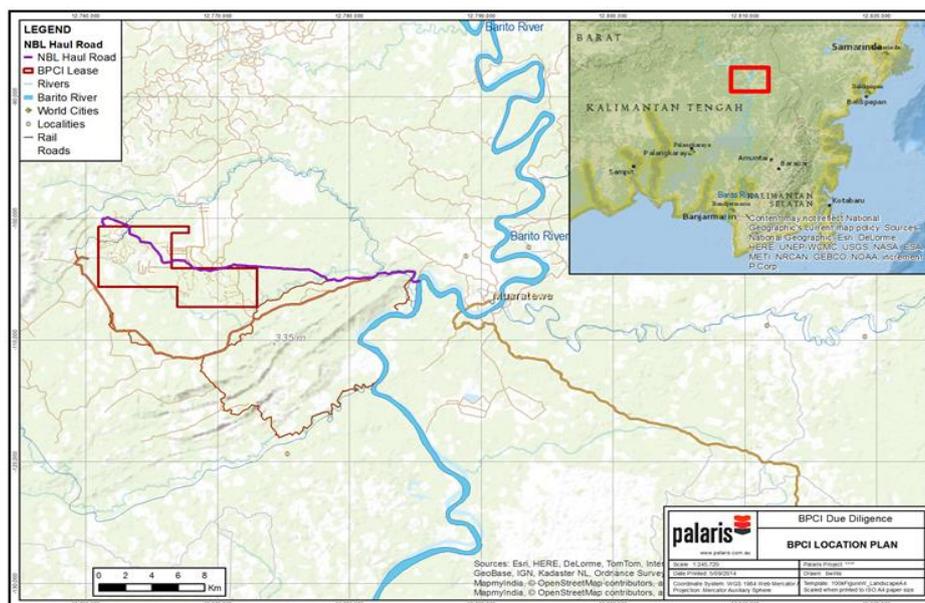
The mine is located in the Barito Basin on the island of Borneo in Central Kalimantan, Indonesia which accounts for over half of the known coal reserves in Indonesia, approximately 32 kilometres from the Barito River, downriver from Muara Teweh. The Barito Basin occupies a substantial portion of Central Kalimantan and the western part of South Kalimantan. It is bound to the west by the Sunda Shield and to the east by an up-thrust belt of basement rocks which form the Meratus Range.

The coal can be sold domestically or transported by barge to the transhipment port at Taboneo in South Kalimantan for loading onto Panamax / Handymax vessels. BPCI has secured the use of an existing haul road and a barge loading facility from a neighbouring mine.

The geological sequence in the Barito Basin comprises mostly shallow shelf marine deposits, although terrestrial sequences containing coal occur at the base and top of the basin. Unconformably overlying the uppermost coal sequence are 800 metres of sediments from the Upper Miocene age to the Pliocene age.

Coal seams occur in the Karamuan Formation from the Oligocene age, likely an equivalent of the Montalat formation. This regional geology suggests that there is potential for the Karamuan Formation to approach another zone of subcrop east of the current area, and for underlying Warukin / Tanjung Formation seams to be exposed.

The following map shows the location of the mine and the haul road to the Barito River:



The mine is divided into two pits, the North Pit and the South Pit. Mining commenced in the South Pit in April 2015, but was halted due to adverse weather conditions in late 2015.



Mining will recommence shortly in the North Pit at a stripping ratio of 10.1:1, with the South Pit to be mined in parallel at a smaller scale. The mine is expected to produce medium to high volatile coking coal.

Exploration

Currently, exploration activities have only focused on an area of 306 hectares located in the northwest corner of the IUP area, which represents only 5% of the total. This explored area has substantial mapped coal outcrops and hence was the easiest target for exploration. The remaining area of the IUP area remains relatively unexplored and could provide a substantial upside (based on the known regional geology).

The Board believes that the acquisition of Kirkham presents an excellent opportunity for shareholders to participate in an exciting transitional phase of the Company as it looks to acquire a business with strong management in the coal industry that could potentially create Shareholder value in the Company.

Transaction terms

The Company will convene a meeting of shareholders to approve a number of resolutions relevant to the Kirkham acquisition. These resolutions will be detailed in the Notice of Meeting that will be despatched to shareholders. The key transaction terms are as follows:

- the Company will undertake a share and option consolidation of 1:10;
- the Company will undertake a Capital Raising with priority to existing shareholders to raise at least \$2.5 million by the issue of ordinary shares at \$0.03 per share (post consolidation). Gleneagle Securities (Aust) Pty Limited has confirmed its intention to underwrite this issue (subject to formal documentation being entered into);
- the purchase price of \$24,300,000 to be effected by the allotment of 607,500,000 ordinary shares in Zamia (post a 1 for 10 consolidation) at a post consolidation issue price of \$0.04 per share;
- an Employee Share Option Plan will be implemented, subject to obtaining shareholder approval;
- subject to the Kirkham transaction proceeding, the current board of Zamia with the exception of Andrew Skinner, who will remain as Executive Chairman, will resign and be replaced by two nominees from Kirkham and an independent director; and
- the transaction is subject to a number of conditions precedent being satisfied or waived including: Zamia shareholder approval as required by the Corporations Act and ASX Listing Rules, successful completion of the Capital Raising, re-compliance with Chapters 1 & 2 of the ASX Listing Rules by the Company, due diligence by Zamia on Kirkham and by Kirkham on Zamia; the key management of Kirkham agreeing to executive contracts with Zamia; conversion of Director/Officers and shareholder loans to equity and other conditions precedent customary of a transaction of this nature.

The convertible bond transaction

The Company has agreed to issue Convertible Bonds (which are only convertible subject to shareholder approval) for \$250,000 that will provide working capital to be used primarily to meet costs related to the transaction with Kirkham. Gleneagle Securities (Aust) Pty Limited, its clients and parties introduced by Kirkham have participated in the Convertible Bonds.

The Convertible Bonds have a term of 12 months, attract interest at 12% per annum and are to



be converted into ordinary shares together with capitalised interest thereon as a pre-condition of the Kirkham transaction proceeding. Such conversion will be subject to approval by shareholders and in accordance with the ASX Listing Rules and Corporations Act and conducted at a price of \$0.01 per share (post-consolidation). After conversion such shares issued will be assessed for escrow conditions by the ASX. The Company may, with notice, redeem the convertible bonds and the holder of the bonds may also request for the execution of security. No bond holder has indicated, at this stage, an intention to register security.

Indicative Capital Structure

The indicative capital structure of the Company assuming that shareholders approve the proposed transaction with Kirkham and the other conditions precedent to the transaction are met is set out in the table below:

Parties	Number	% shareholding
Shares held by existing shareholders on post-consolidation basis	72,021,457	9.09%
Shares held by the shareholders of Kirkham, and their nominees and Kirkham's advisors as a consequence of the purchase of Kirkham	607,500,000	76.67%
Shares held by directors and officers as a result of conversion of fees owing for services rendered	4,500,000	0.57%
Shares to be issued pursuant to the Capital Raising	83,333,333	10.52%
Shares to be issued to parties pursuant to conversion of Convertible Bonds	25,000,000*	3.15%
Total	792,354,791	100.00%

*This calculation does not include the conversion of any interest owing pursuant to the Convertible Bonds and it is anticipated this number will increase to allow for the conversion of interest owing on the Convertible Bonds.

Option	Exercise Price	Expiry Date	Number
Unquoted Options on issue at 21 September 2016	\$0.01	31 December 2017	21,050,000
Option consolidation			1:10
Options on issue following option consolidation	\$0.10	31 December 2017	2,105,000

Shareholder approvals

The transaction comprising the acquisition and the Capital Raising and a number of other items are subject to shareholder approval, including approval of a significant change to the nature and scale of the Company's activities per Listing Rule 11.1.3 and will be required to re-comply with Chapters 1 & 2 of the ASX Listing Rules.

A notice of general meeting containing further details of the approvals being sought will be released as soon as possible after compliance with ASX Listing Rules all other regulatory requirements.

The Board of Directors of Zamia is unanimous in its support of the revised corporate strategy and the acquisition of Kirkham and intend to vote in favour of the resolutions contemplated in respect of their shareholding.

Indicative timetable:



Event Date	
Execute binding conditional SPA and announce to ASX	6 October 2016
Convertible Note Fundraising completed (\$250,000)	By 11 October 2016
Due diligence completion	31 October 2016
Despatch Notice of Meeting	November 2016
General Shareholder Meeting	December 2016
Lodgement of prospectus with ASIC	December 2016
Closing date of offer under the prospectus	January 2017
Despatch holding statements	January 2017
Re-quotation of shares on ASX	January 2017

This timetable is indicative only and subject to change.

Suspension from Trading

In accordance with the ASX Listing Rules, the Company will remain suspended from official quotation on the ASX from the date of this announcement until such time as the transaction has completed and the Company has complied with the requirements of the ASX, including re-compliance with Chapters 1 & 2 of the ASX Listing Rules.

For further information, please contact Andrew Skinner, Executive Chairman on 0418 601688 or the Company.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Stone", written in a cursive style.

John Stone
Company Secretary
Zamia Metals Limited