INTERCOAL LIMITED

ABN 32 072 871 133

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

INDEPENDENT EXPERT'S REPORT

PROXY FORM

Date of Meeting:	5 October 2006
Time of Meeting:	11 am (AEST)
Place of Meeting:	Level 19, Riverside Centre, 123 Eagle Street, Brisbane, Queensland

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These documents should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

INTERCOAL LIMITED
ABN 32 072 871 133

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of InterCOAL Limited (***Company***) will be held at Level 19, Riverside Centre, 123 Eagle Street, Brisbane, Queensland, on Thursday, 5 October 2006 at 11 am (AEST).

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes the various matters to be considered at the meeting and includes a glossary of defined terms.

AGENDA

To consider and if thought fit to pass the following resolutions:

1. Change of name

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

"That, subject to the approval of ASIC and to the passing of Resolutions 2, 3 and 4, in accordance with section 157 of the Corporations Act, the name of the Company be changed from "InterCOAL Limited" to "International Gold Mining Limited".”

2. Change of activities

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

"That, subject to the passing of Resolutions 1, 3 and 4, for the purposes of Listing Rule 11.1 and for all other purposes, the members of the Company approve and authorise the Company to make a significant change to the nature of its activities by acquiring the Eureka Gold Project and the British King Gold Project, in accordance with the terms of the Option Agreements, the terms and conditions of which are summarised in the Explanatory Memorandum.”

3. Issue of Shares as consideration for the acquisition of the Eureka Gold Project

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

“That, subject to the passing of Resolutions 1, 2 and 4, for the purposes of Listing Rule 7.1 and section 611 item 7 of the Corporations Act and for all other purposes, the members of the Company approve and authorise the Directors to allot and issue up to 20,000,000 Shares in the Company at an issue price of $0.10 per Share to Devonport Pty Ltd as consideration for the acquisition of the Eureka Gold Project, on the terms and conditions summarised in the Explanatory Memorandum.”

4. Issue of Shares as consideration for the acquisition of the British King Gold Project

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

“That, subject to the passing of Resolutions 1, 2 and 3, for the purposes of Listing Rule 7.1 and section 611 item 7 of the Corporations Act and for all other purposes, the members of the

Company approve and authorise the Directors to allot and issue up to 10,000,000 Shares in the Company at an issue price of $0.10 per Share to Alexanda Resources Pty Ltd as consideration for the acquisition of the British Gold Project, on the terms and conditions summarised in the Explanatory Memorandum."

5. Disposal of interest in Internickel Australia Pty Ltd

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

"That, for the purposes of Listing Rule 11.2 and for all other purposes, the members of the Company approve the disposal to Macarthur Minerals Limited of the Company's entitlement to a 20% interest in Internickel Australia Pty Ltd, the holder of the Lake Giles Assets, on the terms and conditions summarised in the Explanatory Memorandum."

6. Ratification of Prior Placement of Shares

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

"That for the purposes of Listing Rule 7.4, and for all other purposes, the members of the Company ratify the prior issue of 4,500,000 Shares at an issue price of $0.10 per Share to raise $450,000, on the terms and conditions summarized in the Explanatory Memorandum".

7. Approval of Further Placement of Shares

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

"That, for the purposes of Listing Rule 7.1 and for all other purposes, the members of the Company approve the issue and allotment by the Company of up to 15,000,000 Shares at an issue price of $0.10 per Share to raise up to $1,500,000, on the terms and conditions summarized in the Explanatory Memorandum."

VOTING EXCLUSIONS STATEMENTS

As required by the Listing Rules and section 224(1) of the Corporations Act, the Company will disregard any votes cast on the proposed resolutions as described below:

- Under Resolution 2, by Devonport Pty Ltd and by Alexanda Resources Pty Ltd, and any associate of either of those persons
- Under Resolution 3, by Devonport Pty Ltd and any of its associates
- Under Resolution 4, by Alexanda Resources Pty Ltd and any of its associates
- Under Resolution 5, by Macarthur Minerals Limited and any of its associates
- Under Resolution 6, by any person who participated in the prior placement of Shares and any associate of those persons
- Under Resolution 7, by any person who may participate in the proposed further issue of Shares, and any associate of those persons

However, in each case the Company will 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.

PROXY INSTRUCTIONS

In accordance with section 249L of the Corporations Act 2001, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the Corporations Act 2001, each proxy may exercise half of the votes.

The member may specify the manner in which the proxy is to vote on each resolution or may allow the proxy to vote at his discretion.

In accordance with section 250BA of the Corporations Act 2001, the Company specifies that the proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be:

- posted to the Company, InterCOAL Limited, PO Box 7126 Riverside Centre, Brisbane, Queensland 4001; or
- delivered to the business address of the Company, Level 19, Riverside Centre, 123 Eagle Street, Brisbane, Queensland 4000; or
- sent by facsimile to the Company on +61 7 3230 6030.

Those documents must be received by the Company at least 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a body corporate, in a manner permitted by the Corporations Act. In the case of shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form is attached to this Notice.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, and in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001 (Commonwealth)*, Shares will be taken to be held by the persons who are registered as holding the Shares at 7 pm AEST on 3 October 2006. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

BY ORDER OF THE BOARD
Alan Phillips
Director
29 August 2006

EXPLANATORY MEMORANDUM

The Explanatory Memorandum and Independent Expert's Report should be read in conjunction with the accompanying Notice of Meeting which sets out the Resolutions to be considered at the Meeting. The purpose of this Explanatory Memorandum is to provide information that the Board believes to be material to Shareholders in deciding whether or not to pass those Resolutions.

1. Resolution 1 – Change of Name

Resolution 1 seeks approval for a change in the Company's name from "InterCOAL Limited" to "International Gold Mining Limited". The proposed change of name will reflect the Company's intended change of activities to focus on the exploration for and mining of gold.

Resolution 1 is conditional upon the passing of Resolutions 2, 3 and 4 in the Notice of Meeting.

All the Directors recommend that Shareholders vote in favour of Resolution 1.

2. Resolutions 2, 3 and 4 – Acquisition of Gold Projects

2.1 Background

The Company first listed on ASX in late 1996 as Golden Heritage NL but quotation of the Company's Shares was suspended on 26 July 2000. At a general meeting held on 15 March 2004, Shareholders gave approval for the Company to make a significant change to the nature of its activities by acquiring Internickel Australia Pty Ltd, the holder of the Lake Giles Assets, from Mr Troy Dalla-Costa in accordance with the terms of an option agreement dated 19 January 2004 (***Lake Giles Option Agreement)***. Shareholders also approved the change of name of the Company from Adex Holdings Ltd to Internickel Limited.

It was a condition for exercise of the option under the Lake Giles Option Agreement that the Company raise not less than $2,500,000 under a prospectus capital raising and that the Company obtain conditional approval from ASX that the Company's Shares would be reinstated to official quotation on ASX. Around the time of that capital raising, however, there was a downturn in resource equities markets worldwide and the capital raising under the prospectus closed without raising the required minimum amount and the option under the Lake Giles Option Agreement could not be exercised.

The Company subsequently agreed to assign its interest under the Lake Giles Option Agreement to Macarthur Minerals Limited. The consideration for the assignment was the entitlement of the Company on exercise of the option by Macarthur to be issued a 20% interest in Internickel Australia. Macarthur has now agreed to acquire this entitlement from the Company in order to gain 100% of the Lake Giles Assets, subject to Shareholders approving the transaction under Resolution 5 and any required approvals of Macarthur's shareholders.

At a general meeting held on 19 May 2005, Shareholders gave approval for the Company to make a significant change to the nature of its activities by acquiring from Metallica Minerals Limited the shares in SE Qld Energy Pty Ltd ACN 112 045 708 (***SEQLD***), the holder of the Kingaroy Coal Project in South East Queensland, for consideration valued at $6,000,000, and approved the issue of securities to Metallica Minerals Limited as consideration for the acquisition of SEQLD. Shareholders also approved the change of name of the Company to InterCOAL Limited. At the same time, the Company negotiated the acquisition of an interest in the Condamine Coal Project.

It was a condition for completion of the acquisition of SEQLD that the Company raise not less than $3,000,000 under a prospectus capital raising and that the Company obtain conditional approval from ASX that the Company's Shares would be reinstated to official quotation on ASX. However, on 22 July 2005 the Company received unsolicited correspondence from Tarong Energy Corporation Limited, the operator of the Tarong Power Station located proximate to the Kingaroy Coal Project, which raised doubts as to the likelihood of the Company being allowed to enter into the tender process as a supplementary supplier of coal to the Tarong Power Station when contract negotiations commenced in June 2007. The Company took the view that in the light of this correspondence it should withdraw the prospectus and, as a result, completion of the acquisition of SEQLD and the interest in the Condamine Coal Project could not proceed. The Company has now commenced proceedings in the Federal Court against Tarong Energy under section 46 of the Trade Practices Act.

On 1 June 2006, the Company announced that it had entered into separate Option Agreements for the acquisition of two gold projects in Western Australia. Under the Eukeka Option Agreement with Devonport, the Company has the option to acquire Devonport's 100% interest in the Eureka Gold Project north of Kalgoorlie in Western Australia in consideration for the issue of 20,000,000 Shares in the Company at an issue price of $0.10 per Share. Under the British King Option Agreement with Alexanda, the Company has the option to acquire Alexanda's 100% interest in the British King Gold Project north of Kalgoorlie in Western Australia in consideration for the issue of 10,000,000 Shares in the Company at an issue price of $0.10 per Share. A summary of each Option Agreement is set out in Section 2.2 below.

The Directors have determined that shareholder approvals for the Acquisition of the Gold projects and the issue of the Consideration Shares to the Vendors are required or should be obtained for the purposes of Listing Rules 7.1 and 11.1 and section 611 Item 7 of the Corporations Act. The Listing Rules and the Corporations Act prescribe information which must be provided to Shareholders for the purpose of obtaining these approvals. To satisfy the obligation to provide Shareholders with the required information and analyses of the proposed transaction, the Directors have commissioned the Independent Expert's Report, a copy of which is attached as Annexure A. Shareholders are advised to consider the Independent Expert's Report carefully before deciding how to vote on Resolutions 2, 3 and 4.

Resolution 2 is conditional upon the passing of Resolutions 1, 3 and 4 in the Notice of Meeting. Each of Resolutions 3 and 4 is conditional upon the passing of the other and the passing of Resolutions 1 and 2.

The information requirements of the Listing Rules and Corporations Act are considered in more detail below.

The Company has made a formal request to ASX pursuant to Listing Rule 17.11 to remove the Company from the Official List of ASX subject to Shareholders approving Resolutions 2, 3 and 4. The Company is in the process of applying for listing on the TSX Venture Exchange (although Shareholders should be aware that no guarantee can be given that this application will be approved). The reasons for seeking removal from the Official List of ASX and listing on TSXV are considered in Section 2.8 below.

2.2 Proposed acquisition of the Gold Projects under the Option Agreements

On 31 May 2006, the Company entered into Option Agreements with the Vendors. The key terms of these agreements are summarised below.

The Eureka Option Agreement

Under the Eureka Option Agreement, the Company has the right to acquire from Devonport its

100% interest in the Eureka Gold Project for the consideration of 20,000,000 Shares to be issued by the Company at an issue price of $0.10 per Share and otherwise on the terms set out in that agreement.

The sale and purchase under the Eureka Option Agreement is conditional upon satisfaction of the following conditions on or before the date specified for satisfaction of a particular condition or, if none, 30 October 2006 or such later date as may be agreed between the parties:

(a) Shareholder approval for the purchase of the Eureka Gold Project and change of activities of the Company on acquisition of those assets, the issue of the Consideration Shares to Devonport and the change of name of the Company to "International Gold Mining Limited";

(b) the Company completing due diligence to its satisfaction in respect of the assets being acquired within 120 days of the date of the agreement, or such longer period as the parties may agree;

(c) the Company complying with the Listing Rules in respect of the purchase of those assets and issue of the Consideration Shares to Devonport;

(d) the approval of the Minister pursuant to the Mining Act to the sale and transfer of the Eureka Tenements, to the extent approval is required; and

(e) payment of the final instalment of consideration, including GST, under the agreement dated 9 May 2006 between Devonport and Sherlock Bay Nickel Corporation Limited ACN 008 942 809 relating to the prior purchase by Devonport of the Eureka Tenements.

The Eureka Option Agreement contains the covenants, warranties and indemnities in respect of the Eureka Gold Project that a prudent purchaser would expect to receive in respect of an acquisition of this nature.

The British King Option Agreement

Under the British King Option Agreement, the Company has the right to acquire from Alexanda its 100% interest in the British King Gold Project for the consideration of 10,000,000 Shares to be issued by the Company at an issue price of $0.10 per Share and otherwise on the terms set out in that agreement.

The sale and purchase under the British King Option Agreement is conditional upon satisfaction of the following conditions on or before the date specified for satisfaction of a particular condition or, if none, 30 October 2006 or such later date agreed between the parties:

(a) Shareholder approval for the purchase of the British King Gold Project and change of activities of the Company on acquisition of those assets, the issue of the Consideration Shares to Alexanda and the change of name of the Company to "International Gold Mining Limited";

(b) the Company completing due diligence to its satisfaction in respect of the assets being acquired within 120 days of the date of the agreement, or such longer period as the parties may agree;

(c) the Company complying with the Listing Rules in respect of the purchase of those assets and issue of the Consideration Shares to Alexanda;

(d) the approval of the Minister pursuant to the Mining Act to the sale and transfer of the British King Tenements, to the extent approval is required; and

(e) Alexanda becoming registered as the sole holder of the British King Tenements or having established to the satisfaction of the Company that it is entitled to be so registered.

The Option Agreement contains the covenants, warranties and indemnities in respect of the British King Gold Project that a prudent purchaser would expect to receive in respect of an acquisition of this nature.

2.3 Proposed capital structure on completion of the Acquisition

The effect on the capital structure of the Company of the issue of the Consideration Shares to the Vendors upon completion of the Acquisition and of the issue of securities under the Further Placement the subject of Resolution 7 is set out below (assuming no options are exercised or other securities issued prior to the issue of the Consideration Shares):

Shares

	Number	% of expanded Share Capital
Shares currently on issue (including the Prior Placement Shares) (1)	34,500,000	43.40
Shares to be issued to Devonport under Resolution 2 (2)(4)	20,000,000	25.16
Shares to be issued to Alexanda under Resolution 3 (2)(3)(4)	10,000,000	12.58
Shares to be issued pursuant to the Further Placement under Resolution 7 (5)	15,000,000	18.86
Total	**79,500,000**	**100.00**

Options

	Number	Strike Price and Expiry Date
2006 Options	10,000,000	$0.20 30 November 2006
2009 Options	4,062,500	$0.20 30 June 2009

Notes:

(1) Includes 2,500,000 Shares issued to Alexanda under the Prior Placement.

(2) Assuming completion of the Acquisition.

(3) Including the 2,500,000 Shares issued to Alexanda under the Prior Placement, Alexanda will have a percentage holding of the expanded share capital of 15.72%.

(4) On completion of the Acquisition, Devonport and Alexanda will have a combined percentage shareholding of 40.88%.

(5) Assuming the maximum number of Shares proposed to be offered under the Further Placement are issued.

2.4 Pro-Forma Balance Sheet

The effect of the Acquisition, the Prior Placement and the Further Placement on the statement of financial position of the Company is shown in the unaudited pro-forma balance sheet of the Company, based on the unaudited balance sheet of the Company at 31 December 2005, which is included in section 5.4 of the Independent Expert's Report. It assumes that the Further Placement is fully subscribed to raise $1,500,000 and the costs of the capital raisings, estimated at $150,000, are written off against the profit and loss account.

2.5 Listing Rule 11.1

Listing Rule 11.1 provides, in summary, that a listed company which proposes to make a significant change to the nature or scale of its activities must provide full details to ASX as soon as practicable and comply with the following:

(a) the Company must provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

(b) if ASX requires, as is the case here, the Company must obtain the approval of holders of its Shares;

(c) if ASX requires, as is the case here, the Company must meet the requirements in Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the Official List of ASX,

and ASX may suspend quotation of the Shares until the Company has satisfied the requirements of Listing Rule 11.1. The Company has given full details to ASX of the proposed Acquisition of the Gold Projects, which constitutes a significant change to the nature and scale of its activities, and ASX requires the Company under Listing Rule 11.1.2 to obtain approval of Shareholders to the Acquisition. Resolution 2 seeks that approval. The Company understands from its discussions with ASX that in view of the Company's request to ASX pursuant to Listing Rule 17.11 to remove the Company from the Official List if Resolutions 2, 3 and 4 are passed, the Company will not be required for the purpose of Listing Rule 11.1.3 to meet the requirements in Chapters 1 and 2 of the Listing Rules as if the Company was applying for admission to the Official List

2.6 Listing Rule 7.1

Subject to certain exceptions, Listing Rule 7.1 restricts a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of the company's ordinary securities on issue without shareholder approval. However, issues of ordinary securities made with the prior approval of the shareholders in a general meeting are not subject to this restriction and will not be counted as part of the 15% limit. Accordingly, if shareholders of the Company pass Resolutions 3 and 4, the Consideration Shares issued to each Vendor will not be counted towards the 15% limit in respect of issues of equity securities in the following 12 month period.

In accordance with the requirements of Listing Rule 7.3, the following information is provided to members to allow them to assess the proposed issue of Consideration Shares to each Vendor:

(a) in relation to the issue of Consideration Shares the subject of Resolution 3 to Devonport:

   (i) The maximum number of securities to be issued pursuant to Resolution 3 is 20,000,000 Shares.

(ii) The issue of these Consideration Shares will occur on a date no later than 3 months after the date of the meeting, or such longer period as ASX may approve in the event that the Company applies for a waiver of the relevant Listing Rule.

(iii) The issue price of the Consideration Shares is $0.10 per Share.

(iv) The allottee of these Consideration Shares will be Devonport.

(v) The Consideration Shares will, from the date of issue, rank equally with, and enjoy the same rights as, all other Shares on issue. In view of its request for removal from the Official List of ASX, the Company does not intend to apply for official quotation on ASX of the Consideration Shares, but does intend to include the Consideration Shares in any application for official quotation of Shares on TSXV (and any other exchange on which listing of the Company's Shares may be subsequently sought).

(vi) No funds will be raised pursuant to the issue of these Consideration Shares as they will be issued as consideration for the acquisition of the Eureka Gold Project.

(b) in relation to the issue of Consideration Shares the subject of Resolution 4 to Alexanda:

(i) The maximum number of securities to be issued pursuant to Resolution 4 is 10,000,000 Shares.

(ii) The issue of these Consideration Shares will occur on a date no later than 3 months after the date of the meeting, or such longer period as ASX may approve in the event that the Company applies for a waiver of the relevant Listing Rule.

(iii) The issue price of the Consideration Shares is $0.10 per Share.

(iv) The allottee of these Consideration Shares will be Alexanda.

(v) The Consideration Shares will, from the date of issue, rank equally with, and enjoy the same rights as, all other Shares on issue. In view of its request for removal from the Official List of ASX, the Company does not intend to apply for official quotation on ASX of the Consideration Shares, but does intend to include the Consideration Shares in any application for official quotation of Shares on TSXV (and any other exchange on which listing of the Company's Shares may be subsequently sought).

(vi) No funds will be raised pursuant to the issue of these Consideration Shares as they will be issued as consideration for the acquisition of the British King Gold Project.

2.7 Section 611 of the Corporations Act

Except as provided by Chapter 6 of the Corporations Act, section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after the acquisition, that person's Voting Power in the Company increases from below 20% to more than 20%.

Section 611, item 7 of the Corporations Act provides that section 606(1) of the Corporations Act does not apply to an acquisition of shares in the company by virtue of an allotment or agreement if the company has agreed to the allotment or agreement by resolution passed at a general meeting of the company at which no votes are cast in favour of the resolution by the person to whom the shares are to be allotted or by an associate of that person.

The issue of the Consideration Shares to the Vendors under the Option Agreements will cause the Vendors' combined Voting Power in the Company to increase from below 20% to above 20%.

In accordance with the requirements of section 611, item 7, the following information is provided to members to allow them to assess how to vote on the resolution to approve the issue of the Consideration Shares to the Vendors:

(a) Devonport, as Vendor of the Eureka Gold Project, proposes to acquire 20,000,000 Consideration Shares. Alexanda, as Vendor of the British King Gold Project, proposes to acquire 10,000,000 Consideration Shares. For the purpose of this transaction and this Notice, the Vendors, Devonport and Alexanda, are considered to be associates of each other (a director and 50% shareholder of Devonport is also a director and 50% shareholder of Alexanda and the Vendors may be considered to be acting in concert in regard to the transaction). No other shareholder of the Company is an associate of either Vendor.

(b) If Resolutions 3 and 4 are approved by members, the Company will issue 20,000,000 Consideration Shares to Devonport and 10,000,000 Consideration Shares to Alexanda, conditional upon the satisfactory completion of the conditions listed in Section 2.2 above. The effect on the Company's capital structure of the issue of the Consideration Shares to the Vendors (and the issue of Shares under the Prior Placement and proposed issue of Shares under the Further Placement) is summarised in the table in Section 2.3 above. Devonport's shareholding in the Company will increase from nil to 20,000,000 Shares (25.16%) and Alexanda's shareholding in the Company will increase from 2,500,000 Shares (7.24%) to 12,500,000 Shares (15.72%) as a result of the issue of the Consideration Shares.

(c) On the basis of the assumptions noted in Section 2.3:

- the Vendors' combined Voting Power in the Company will increase from 7.24% to 40.88% and the Vendors will have combined Voting Power of 40.88%
- Devonport's Voting Power in the Company, which includes the votes of itself and its associate Alexanda, will increase from 7.24% to 40.88% and Devonport will have a Voting Power of 40.88%
- Alexanda's Voting Power in the Company, which includes the votes of itself and its associate Devonport, will increase from 7.24% to 40.88% and Alexanda will have a Voting Power of 40.88%

as a result of the issue of the Consideration Shares.

(d) The present intentions of the Vendors regarding the future of the Company, if members approve Resolutions 2, 3 and 4, are to explore and develop the Gold Projects. As noted in Section 1 above, it is the present intention of the Board that the Company should focus on the exploration and mining of gold. The Vendors have no present intention to do any of the following after the issue of the Consideration Shares:

- change the business of the Company from that referred to above and in Resolution 2;
- inject further capital into the Company, apart from the proposed Further Placement;

- change the future employment of the present employees of the Company;
- transfer any property between the Company and the Vendors (other than the transfers the subject of the Acquisition);
- redeploy the fixed assets of the Company; or
- change significantly the current financial or dividend policies of the Company.

If new investment opportunities arise or become available to the Company the Vendors may, if they desire to do so, participate in any rights issue or other capital raising programme undertaken by the Company subject to obtaining any regulatory approvals that may be required.

(e) The Consideration Shares will, from the date of issue, rank equally with, and enjoy the same rights as, all other Shares on issue. In view of its request for removal from the Official List of ASX, the Company does not intend to apply for official quotation on ASX of the Consideration Shares, but does intend to include the Consideration Shares in its proposed application for official quotation of Shares on TSXV (and any other exchange on which listing of the Company's Shares may be subsequently sought).

The Consideration Shares issued to the Vendors may be subject to restriction agreements in accordance with the requirements of the TSXV, which may restrict those shares being sold for a period after the date their issue. In addition, restriction agreements may apply to certain other securities issued. At the date of this notice, the application of restrictions from trading which may be imposed by TSXV has not yet been determined by TSXV.

(f) Subject to Shareholders approving these Resolutions, it is intended to allot the Consideration Shares to each Vendor on completion of the acquisition under the relevant Option Agreement.

(g) No Director has an interest in Resolution 2 or Resolution 3.

(h) The Board commissioned A W Thomas, a partner in Robertsons Chartered Accountants, to prepare the Independent Expert's Report on whether the terms of the transaction the subject of Resolutions 3 and 4 are fair and reasonable to the non-associated shareholders of the Company. The Independent Expert's Report is attached to this Explanatory Memorandum as Annexure A.

In summary, the Independent Expert's Report concludes that the proposed transaction is fair and reasonable to the non-associated shareholders of the Company if all the conditions of the transaction (as summarised in section 1.2 of the Report and Section 2.2 above) are achieved as planned.

To the best of the Directors' knowledge, all matters that are material and necessary for Shareholders to make an informed decision on Resolutions 2, 3 and 4 have been provided to members in this Explanatory Memorandum and the Independent Expert's Report.

(i) The Board considers that the advantages to Shareholders as a result of the Acquisition of the Gold Projects and the issue of the Consideration Shares to the Vendors are:

- participation in the exploitation of the Gold Projects and exposure to exploration assets within a region where gold discoveries have been made;
- improved liquidity on listing of the Company's Shares on TSXV and

enhanced market relevance;

- improved ability to raise additional capital to fund growth; and
- a strong platform for future growth.

The Board has identified a likely disadvantage associated with the proposed transaction being that the interests of Shareholders will be diluted by the issue of the Consideration Shares. An investment in the Gold Projects is also subject to ordinary business risks and other risks specific to that venture which may expose the Company to additional risks and any adverse outcomes. The advantages and disadvantages of the proposed transaction are also considered in section 5.8 of the Independent Expert's Report.

(j) The diluting effect of the issue of the Consideration Shares to the Vendors and the proposed issue of the Shares under the Further Placement on existing Shareholders is shown in the table in Section 2.3 above. On the basis of the assumptions set out in that Section, the aggregate percentage of Shares held by existing (pre Acquisition) Shareholders will be diluted to 53.49% on issue of all the Consideration Shares and to 43.40% on completion of the Further Placement.

2.8 Removal from Official List of ASX

The Company has made a formal request to ASX pursuant to Listing Rule 17.11 to remove the Company from the Official List of ASX if Shareholders approve Resolutions 2, 3 and 4.

The Company first listed on ASX in late 1996 as Golden Heritage NL but quotation of the Company's Shares was suspended on 26 July 2000. Despite the activities of the Company since that time, as summarised in Section 2.1 above, the securities of the Company have not been restored to official quotation on ASX.

The Directors consider that investor interest in and funding for the next phase of the business development of the Gold Projects is likely to be stronger in the North American market. Accordingly, the Board has resolved to apply for listing on TSXV. For that reason and the other reasons described below, the Directors consider that it will be beneficial for the Company at this stage to request removal from the Official List of ASX under Listing Rule 17.11 and to seek re-listing on ASX when the Company is listed on TSXV and is a producing gold company. In voting to approve Resolutions 2, 3 and 4, Shareholders will participate in the decision to seek removal from the Official List of ASX.

Listing Rule 17.11

Listing Rule 17.11 provides that a listed entity may request ASX to remove it from the Official List. ASX is not required to act on the entity's request, or may require conditions to be satisfied before it will act on the removal.

The Company has sought ASX's opinion on the conditions which it might require the Company to satisfy before removal from the Official List. The Company understands that ASX will be minded to approve the request if:

- Shareholders are given the opportunity to participate in the decision (which they may do by voting for or against Resolutions 2, 3 and 4);
- the Company submits a formal request to ASX for removal from the Official List (which the Company has now done); and
- the Company provides the information in relation to the proposed removal as set out in this Notice.

The Company understands that if Resolutions 2, 3 and 4 are approved by Shareholders, the removal of the Company from the Official List will take effect within 1 month after the date on which that approval is given.

Matters for consideration

The Company is currently completing the application formalities for listing on TSXV. Shareholders should be aware, however, that no guarantee can be given that the Company's application for listing on TSXV will be approved. The TSXV is part of the TSX Group which provides the global financial community with access to Canada's equity capital and energy markets. The TSXV serves the public venture equity market, providing access to capital for companies at the early stages of their growth while offering investors a well-regulated market for making venture investments. It offers junior mineral exploration and emerging producer companies access to a larger, more mature capital market with a global perspective.

The Board considers that at this stage of the Company's development, it will be best placed in terms of investor interest and raising capital by focussing on the market established by the TSXV. Trading in the Company's securities on ASX has been suspended for over 6 years. The Company considers that it would be commercially onerous to make a further attempt to satisfy the requirements for re-quotation of its securities on ASX at this stage of the Company's development, in particular compliance with Chapters 1 and 2 of the Listing Rules, and that it should apply its management and financial resources in obtaining the listing on TSXV. On a cost benefit analysis, the Company considers that listing on TSXV is the correct strategy. Removal from the Official List of ASX will have the benefit of reducing the Company's administrative time and costs involved with being a dual listed entity.

It is the Company's current intention to re apply for listing on ASX when the Gold Projects are in a more advanced stage of development and more suited to the market which the ASX provides.

Effects of removal from ASX on disclosure of information

If the Company is removed from the Official List of ASX, it will remain incorporated in Australia and subject to the Corporations Act and other relevant Australian law. The position regarding disclosure of and access to information relating to the Company following removal from the Official List is summarised as follows.

Information regarding the Company will no longer be required to be disclosed to or be available from ASX and the Company will no longer be required to comply with the continuous disclosure rules of the Listing Rules.

When listed on TSXV, the Company will, however, be required to comply with the disclosure requirements of the TSXV Listing Rules. These disclosures will be available from www.tsx.com.

The Company will continue to be bound by the continuous disclosure requirements of the Corporations Act as contained in sections 674 and 675. These provisions require that if the Company becomes aware of information that is not generally available and that a reasonable person would expect to have a material effect on the value of the securities of the Company, that information must be provided to ASIC or, if the Company is bound by continuous disclosure requirements of the listing rules of a listing market, the market operator. Financial reports will continue to be available from ASIC.

Information regarding the Company will continue to be available from the Company's website at www.intercoal.com.au. Shareholders may also contact the Company to request copies of all announcements and financial reports of the Company.

Trading in securities of the Company

The Company's Shares have been suspended from quotation on ASX since 2000 and consequently cannot be traded on that market. This position will remain unchanged if the Company is removed from the Official List of ASX.

When listed on TSXV, Shareholders will be able to trade their Shares on that market. It is anticipated that the Company will be able to make arrangements so that Shareholders will be able to trade their Shares through certain Australian brokers and settle their trades in Australian dollars. It will also be possible for Shareholders to deal directly with one of the many members and participating organizations of the TSX Group and TSXV. The receipt of settlement funds following a trade may, however, take longer for non Canadian based investors due to time zone differences and changes in currency.

Closer to the time of listing on TSXV, the Company will issue a letter to Shareholders describing the process by which securities in the Company can be traded on that market and including details of several brokers which can be contacted by Shareholders to effect those trades. Information will also be provided at that time on the methods of accessing market prices of companies listed on TSXV (which are available without charge on a number of websites including www.tsx.com, published in certain foreign newspapers and available through designated TSXV brokers).

In the intervening period between removal from the Official List of ASX and commencement of trading on TSXV, the Company's securities may be transferred by the transferor and transferee completing a standard white off market transfer form, including Holder Identification Numbers (HIN) and sending this to the Company's Share Registry at:

Mailing Address	**Delivery Address**
Computershare Investor Services Pty Ltd	Computershare Investor Services Pty Ltd
GPO Box 2975EE	452 Johnston Street
MELBOURNE Victoria 3000	ABBORTSFORD Victoria 3067

Queries in regard to off market transfers may be directed to the Share Registry on 1300 850 505 or by email on web:.queries@computershare.com.au or the Company on 07 3230 6000 or by facsimile on 07 3230 6030.

2.9 Recommendation

For the reasons referred to in Section 2.1 and 2.7(i) above, all the Directors are of the view that the proposed Acquisition is in the best interests of Shareholders and unanimously recommend that Shareholders vote in favour of Resolutions 2, 3 and 4.

3. Resolution 5 – Disposal of interest in Internickel Australia Pty Ltd

3.1 Background

On 27 June 2006, the Company entered into an agreement (***Acquisition Agreement***) with Macarthur Minerals Limited for the disposal of its entitlement to a 20% interest in Internickel Australia Pty Ltd, the holder of the Lake Giles Assets. The background to the Company's entitlement to this interest is described in Section 2.1 above. On completion occurring under the Acquisition Agreement, the Company will be issued with 1,000,000 shares in Macarthur, an entity listed on TSXV, at a deemed issue price of C$0.35 per share.

Completion under the Acquisition Agreement is subject to satisfaction of certain conditions including obtaining any shareholder approvals which may be required under the Listing Rules. ASX has confirmed that the Company must seek approval of Shareholders for this disposal in accordance with Listing Rule 11.2.

3.2 Listing Rule 11.2

Listing Rule 11.2 provides that if a company proposes to make a significant change to the nature or scale of its activities by disposing of its main undertaking, it must obtain the approval of shareholders and comply with any requirements of ASX in relation to the notice of meeting. The Company has provided details to ASX regarding the proposed change and ASX has advised the Company that it must obtain Shareholder approval under Listing Rule 11.2 for the disposal of its entitlement to a 20% interest in Internickel Australia. The Company understands from its discussions with ASX that in view of the Company's request pursuant to Listing Rule 17.11 to remove the Company from the Official List if Resolutions 2, 3 and 4 are passed, the Company will not be required under Listing Rule 11.1.3 to meet the requirements in Chapters 1 and 2 of the Listing Rules as if the Company was applying for admission to the Official List.

The Board resolved to dispose of this 20% interest to Macarthur, for the following reasons:

- the entitlement is a contributing interest which will require the Company to fund its 20% share of the expenditure of Internickel Australia on a continuing basis;
- Macarthur, as holder of an 80% interest in Internickel Australia is sufficiently well funded to maintain its 80% share of expenditure, estimated by the Board to be \$200,000-\$300,000 per annum, depending on the results of exploration of the Lake Giles Assets, whereas the Company is not;
- the exchange of the 20% interest in Internickel Australia for shares in Macarthur will convert a contributing interest into a liquid investment that can be sold in whole or in part on the market if required; and
- the value of the 1,000,000 shares in Macarthur would be expected to rise depending on exploration results from the Lake Giles Assets and other assets (and has in fact risen significantly since the entering into of the Acquisition Agreement).

The 1,000,000 shares in Macarthur represent a liquid investment which the Company proposes to retain until the funds represented by that investment are required to fund exploration of the Gold Projects or for working capital.

3.3 Recommendation

In view of the proposed change of activities of the Company which is the subject of Resolution 2, the Directors consider that the disposal of the entitlement to a minority interest in Internickel Australia is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 5.

4. Resolution 6 – Prior Placement

4.1 Background

On 1 June 2006, the Company announced that it had entered into placement agreements to place 4,500,000 Shares at an issue price of \$0.10 per Share to sophisticated and professional investors to raise \$450,000. These Shares were subsequently allotted on 23 June 2006. The funds raised by this Prior Placement will be used for working capital.

4.2 Listing Rule 7.1

The effect of Listing Rule 7.1 is described in Section 2.6 above. Listing Rule 7.4 enables a company to restore its ability to issue securities within the 15% annual limit prescribed by

Listing Rule 7.1 by obtaining shareholder ratification of an issue previously made within that limit.

The issue of Shares the subject of Resolution 6 were made within that 15% limit during the last 12 months and accordingly issued without Shareholder approval. The Company now wishes to take the opportunity to ratify that Prior Placement under Listing Rule 7.4 and restore the Company's ability to issue securities within the 15% limit to the extent of the number of securities referred to in that Resolution.

As required by Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the Prior Placement:

(a) A total of 4,500,000 Shares were issued and allotted.

(b) The Shares were issued at a price of $0.10 per Share.

(c) The Shares rank pari passu in all respects from date of issue with, and enjoy the same rights as, the existing fully paid ordinary Shares of the Company. The Company intends to include these Shares in its proposed application for official quotation of Shares on TSXV (and any other exchange on which listing of the Company's Shares may be subsequently sought).

(d) The allottees were:

Impact Nominees (500,000 Shares)
Notegrin Pty Ltd (500,000 Shares)
Alexanda Resources Pty Ltd (2,500,000 Shares)
Lampton Pty Ltd (1,000,000 Shares)

(e) A total of $450,000 was raised by the Prior Placement for use as working capital.

4.3 Recommendation

For the reasons set out in Section 4, all Directors recommend that Shareholders vote in favour of Resolution 6.

5. Resolution 7 – Further Placement

5.1 Background

The Company wishes to issue up to a further 15,000,000 Shares, at an issue price of $0.10 per Share, to raise up to $1,500,000. It is expected that the offer of these Shares will be made by private placement pursuant to a prospectus.

Listing Rule 7.1 requires shareholder approval for the offer of the Shares pursuant to the Further Placement. Resolution 7 seeks that approval.

5.2 Listing Rule 7.1

The effect of Listing Rule 7.1 is described in Section 2.6 above. If Shareholders approve the proposed issue of Shares pursuant to the Further Placement, those Shares will not be counted towards the 15% limit in respect of issues of equity securities in the following 12 month period.

In accordance with the requirements of Listing Rule 7.3, the following information is provided to members to allow them to assess the proposed issue of Shares under the Further Placement:

(a) The maximum number of Shares to be issued pursuant to Resolution 7 is 15,000,000

Shares.

(b) The issue of the Shares will occur no later than 3 months after the date of the Meeting, or such longer period as ASX may approve in the event that the Company applies for a waiver of the relevant Listing Rule.

(c) The issue price of the Shares will be $0.10 each.

(d) The allottees of the Shares will be sophisticated and professional investors or subscribers to a prospectus. The identity of the allottees is not known at the date of this Notice.

(e) The Shares to be issued pursuant to Resolution 7 will, from the date of issue, rank equally with, and enjoy the same rights as, all other Shares on issue. The Company intends to include these Shares in its proposed application for official quotation of Shares on TSXV (and any other exchange on which listing of the Company's Shares may be subsequently sought).

(f) Details of the cash available after issue of the securities under the Further Placement, including funds raised from the Prior Placement, and details of the proposed use of those funds, is set out below:

Cash available post capital raisings

Issue of Shares under the Prior Placement	$450,000
Issue of Shares under the Further Placement	$1,500,000
TOTAL	**$1,950,000**

Application of funds

Costs of capital raisings	$150,000
Repay current creditors	$60,000
Exploration budget year 1	$600,000
Exploration budget year 2	$600,000
Working capital and corporate overheads year 1	$270,000
Working capital and corporate overheads year 2	$270,000
TOTAL	**$1,950,000**

(g) The Directors presently intend to issue the Shares pursuant to Resolution 7 as one allotment. However, they reserve the right to allot the Shares progressively.

5.3 Recommendation

To enable the Company to fund the expenses referred to in Section 5.2 above, all the Directors are of the view that the proposed Further Placement is in the best interests of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 7.

6. Glossary of Terms

The following terms and abbreviations used in the Notice of Meeting and this Explanatory

Memorandum have the following meanings:

Acquisition means the sale by the Vendors and purchase by the Company of the Gold Projects on the terms set out in the Options Agreements, further details of which are set out in Section 2.

AEST means Australian Eastern Standard Time.

Alexanda means Alexanda Resources Pty Ltd ACN 118 519 298.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

Board means the board of Directors of the Company.

British King Option Agreement means the option agreement dated 31 May 2006 between the Company and Alexanda, as amended by Deeds of Amendment dated 15 and 29 August 2006, pursuant to which the Company has an option to acquire the British King Gold Project and the terms and conditions of which are summarized in Section 2.2.

British King Gold Project means the gold project comprising the British King Tenements and associated mining information, stock and plant and equipment, which is held by Alexanda.

British King Tenements means Mining Lease M37/30 issued under the Mining Act and application for Miscellaneous Licence L37/162 applied for under the Mining Act.

Company and ***InterCOAL*** means InterCOAL Limited ABN 32 072 871 133 of Level 19, Riverside Centre, 123 Eagle Street, Brisbane, Queensland.

Consideration Shares means the 20,000,000 Shares to be issued at an issue price of $0.10 per Share to Devonport as consideration under the Eureka Option Agreement and the 10,000,000 Shares to be issued at an issue price of $0.10 per Share to Alexanda as consideration under the British King Option Agreement.

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

Devonport means Devonport Pty Ltd ACN 009 437 049.

Director means a director of the Company, from time to time.

Dollar or $ means the lawful currency of Australia.

Eukeka Option Agreement means the option agreement dated 31 May 2006 between the Company and Devonport, as amended by Deeds of Amendment dated 15 and 29 August 2006, pursuant to the Company has an option to acquire the Eureka Gold Project, and the terms and conditions of which are summarized in Section 2.2.

Eureka Gold Project means the gold project comprising the Eureka Tenements and associated mining information, which is held by Devonport.

Eureka Tenements means Mining Leases M24/189, M24/584, M24/585 and M24/586 issued under the Mining Act.

Explanatory Memorandum means this explanatory memorandum.

Further Placement means the proposed issue of up to 15,000,000 Shares at an issue price of $0.10 per Share, further details of which are set out in Section 5.

Gold Projects means the Eureka Gold Project and the British King Gold Project.

Independent Expert's Report means the report commissioned by the Company on the

Acquisition prepared by A W Thomas, a partner in Robertsons Chartered Accountants, a copy of which is attached to this Explanatory Memorandum as Annexure A, and which includes references to the report of Cooper Geological Services Pty Ltd on the Gold Projects, a copy of which is attached to this Explanatory Memorandum as Annexure B.

Internickel Australia means Internickel Australia Pty Ltd ACN 081 705 651.

Lake Giles Assets means Exploration Licences E30/230, 30/240, 30/241, 30/242, 30/260, 30/269, and Mining Lease Applications MLAs 30/206-208 and 30/213-219 and 30/227-229 issued under the Mining Act.

Listing Rules means the official listing rules of ASX.

Macarthur means Macarthur Minerals Limited ACN 103 011 436.

Meeting means the general meeting of shareholders of the Company, or any adjournment thereof, convened by the Notice.

Mining Act means the *Mining Act 1978 (Western Australia).*

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

Official List means the official list of entities that ASX has admitted and not removed.

Resolution means a resolution in the Notice of Meeting.

Section means a section of this Explanatory Memorandum.

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

Shareholder means a registered holder of Shares.

TSXV means the TSX Venture Exchange, a part of the TSX Group

Vendor means each of Devonport and Alexanda.

Voting Power is defined in section 610 of the Corporations Act and means the total number of votes attached to all the voting shares of a person and their associates as a percentage of the total voting shares in the Company.

Annexure A
Independent Expert Report

Financial Services Guide

Anthony W Thomas ("AWT") is a Partner in Robertsons Chartered Accountants and carries on business at Level 4, 127 Creek Street, Brisbane, Qld, 4000. AWT holds Australian Financial Services Licence No 268504 authorising him to provide financial product advice on securities to retail clients.

The Corporations Act requires AWT to provide this Financial Services Guide ("FSG") in connection with provision of an independent expert's report ("Report"), which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which the Report is prepared.

AWT does not accept instructions from retail clients. AWT does not provide any personal retail financial product advice to retail investors nor does he provide market-related advice to retail investors.

When providing Reports, AWT's client is the Entity to which the Report is provided. AWT receives remuneration from the Entity. In respect of the Report for InterCOAL Limited, AWT will receive a fixed fee of $5,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Appendix 2 of the Report).

No related body corporate of AWT, or any of the fellow directors or employees of AWT or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

AWT is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Practice Note 42 issued by the Australian Securities Commission (the predecessor to the Australian Securities & Investments Commission) on 8 December 1993. The following information in relation to independence is stated in Appendix 2 of the Report:

> *"Robertsons and AWT have previously provided expert's reports to InterCOAL. Apart from this AWT, Robertsons and its associates have not previously had any shareholding or other relationships with InterCOAL Limited that would reasonably be regarded as capable of affecting its ability to provide an unbiased opinion on the proposed transaction. No role has been played in the formulation of the proposed transaction other than in the preparation of this report. Independence has been achieved in terms of Practice Note 42 issued by ASIC in December 1993."*

As the holder of an Australian Financial Services Licence, AWT has a complaints handling procedure and is a member of the Financial Industry Complaints Service Limited, No F4153.

AWT is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to him or Robertsons. AWT will not respond in any way that might involve any provision of financial product advice to any retail investor.

23 August 2006

The Directors
InterCOAL Limited
Level 19, 123 Eagle Street
BRISBANE QLD 4000

Dear Sirs

INDEPENDENT EXPERT'S REPORT FOR INTERCOAL LIMITED

1. Introduction

On 1 June 2006 InterCOAL Limited (InterCOAL) announced it had entered into two separate Option Agreements with two private companies, namely Devonport Pty Ltd and Alexanda Resources Pty Ltd, to acquire a 100% interest in two gold projects in Western Australia. Specifically the Eureka Gold Project, 50km north of Kalgoorlie, and the British King Gold Project near Darlot, some 320km north west of Kalgoorlie are advanced projects and both projects have defined gold resources and proposed plans for mining.

If the conditions precedent to the proposed transaction are met it will result in a significant increase in the issued shares in InterCOAL.

2. Scope

InterCOAL has sought an independent expert to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of InterCOAL.

This report is to be included with the Notice of Meeting and in the Explanatory Memorandum to be sent to InterCOAL's shareholders and has been prepared for the exclusive purpose of assisting InterCOAL's shareholders in their consideration of the Proposed Transaction.

3. Summary and Conclusion

In evaluating whether or not the Proposed Transaction is fair and reasonable to InterCOAL shareholders the following analytical steps occurred:

- estimated the fair market value of InterCOAL before the Proposed Transaction;
- estimated the fair market value of InterCOAL after the Proposed Transaction and associated capital raising;
- compared the likely advantages and disadvantages of the Proposed Transaction for InterCOAL shareholders.

A summary of findings on each of these matters is presented below.

Fairness of the Proposed Transaction

A summary of the comparable values before and after the Proposed Transaction for InterCOAL set out below:

Table 1

	Per Share Value $
Before the Proposed Transaction	-
After the Proposed Transaction	$0.09

Reasonableness of the Proposed Transaction

The likely advantages and disadvantages for InterCOAL shareholders if the Proposed Transaction proceeds are summarised below.

Likely Advantages	Likely Disadvantages
• On the listing of the shares on the TSXV InterCOAL shareholders will have greater liquidity for their investment. • InterCOAL will participate in the exploitation of the acquired mining interests. • InterCOAL most likely will have an improved ability to raise additional capital to fund growth.	• A significant number of shares will be issued which will further dilute the ownership proportions and voting rights of the existing InterCOAL shareholders and option holders. • The acquisition of the mining interest is subject to both ordinary business risk and other risks specific to the venture, which may expose InterCOAL to additional risks and any adverse outcomes.

Other Comments

There are a number of significant transactions and events that will need to occur before all the conditions of the transaction can be met. These events may not happen.

Premium for Control

The value of an InterCOAL share if the Proposed Transaction proceeds compared to the value if it does not, indicates that the Vendor will pay a premium for control in which all shareholders will participate as the share value is higher if the Proposed Transaction proceeds.

The above factors were considered in forming our opinion.

Summary

In our opinion the proposed transaction involving the issue of a substantial number of shares is fair and reasonable to the non-associated shareholders of InterCOAL if the conditions of the transaction, as summarised in paragraph 1.2 of this report, are achieved as planned.

This opinion should be read in conjunction with the full text of this report, which sets out the detailed scope and findings.

Yours faithfully

A W Thomas
Partner

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1 THE PROPOSED TRANSACTION

1.1 Background

The terms of the Proposed Transaction are described in the accompanying Explanatory Memorandum.

In early June 2006 InterCOAL announced that it had entered into two separate Option Agreements with two private companies, namely Devonport Pty Ltd and Alexanda Resources Pty Ltd, to acquire a 100% interest in two gold projects in Western Australia.

InterCOAL will issue 20,000,000 fully paid ordinary shares to Devonport Pty Ltd for the acquisition of 100% of Eureka Gold Project and 10,000,000 fully paid ordinary shares to Alexanda Resources Pty Ltd for the acquisition of 100% of the British King Project.

The company is not seeking reinstatement of its securities to official quotation on the ASX. It has had discussions with the ASX regarding its removal from the Official List. At the same time it does intend to seek official quotation on the TSX Venture Exchange (TSXV)

1.2 Conditions to the Transaction

The Option Agreements provide that the acquisition of these gold projects is conditional upon certain matters including:

- InterCOAL being satisfied with its due diligence in respect of the Eureka Gold Project and British King Gold Project.

- Ministerial consent in respect of the transfer of the tenements.

- Approval of InterCOAL's shareholders at a General Meeting to approve the transactions and the change of name of the company to International Gold Mining Limited.

- InterCOAL complying with the Listing Rules in respect of the purchase of these assets and the issue of shares as consideration.

1.3 Share Placements

InterCOAL on 1 June 2006 entered into subscription agreements to place 4,500,000 shares at 10c per share to Sophisticated Investors by way of private placement to raise $450,000 for working capital purposes. In addition InterCOAL proposes to issue up to 15,000,000 shares at 10 cents per share. It is expected that the offer of these shares will be made by private placement pursuant to a prospectus.

2 SCOPE OF THE REPORT

2.1 Purpose of the Report

InterCOAL has sought an independent expert to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of InterCOAL. The Directors have appointed an independent expert to consider the Proposed Transaction to fulfil the requirements of Section 611 of the Corporations Act ("Section 611").

2.1.1 Section 611

Section 606 of the Corporations Act ("Section 606") does not allow a person to acquire more than 20% of InterCOAL voting shares without making a takeover offer.

Section 611 of the Corporations Act ("Section 611") provides an exemption to Section 606 if the Proposed Transaction is approved by a resolution at a general meeting of InterCOAL shareholders.

Practice Statement 74 issued by the Australian Securities & Investments Commission ("ASIC") requires that the Notice of Meeting include, amongst other things, an analysis of the Proposed Transaction by the independent Directors who may satisfy their obligations in this regard by commissioning an independent expert's report.

InterCOAL has requested preparation of this report advising whether the transaction is fair and reasonable to the non-associated shareholders.

2.2 Basis of Evaluation

In evaluating fairness and reasonableness, the requirements of the Corporations Law, the ASX Listing Rules, ASIC Policy Statements and common market practice have been considered.

ASIC Practice statement 74 provides guidelines for independent experts on how to evaluate whether or not a proposed transaction is fair and reasonable when preparing reports for Section 611 proposals. In relation to the Proposed Transaction, Practice Statement 74 states that the evaluation should:

- be judged in all circumstances of the Proposed Transaction;
- compare the likely advantages and disadvantages to the shareholders if the Proposed Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not; and
- consider the value of InterCOAL shares if the Proposed Transaction is approved but this should not be the sole factor in evaluating the Proposed Acquisition.

In forming our opinion on whether or not the Proposed Transaction is fair and reasonable for InterCOAL shareholders the following analysis has been done:

- estimated the fair market value of InterCOAL before the Proposed Transaction;
- estimated the fair market value of InterCOAL after the Proposed Transaction and capital raising;
- compared the likely advantages and disadvantages of the Proposed Transaction for InterCOAL shareholders.

2.3 Limitations and Reliance on Information

This opinion is 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. This report should be read in conjunction with the declarations outlined in Appendix 2.

3 INTERCOAL

3.1 History & Activities

The company formerly known as Adex Holdings Limited ("Adex") was listed on the Australian Stock Exchange ("ASX") but was suspended on 26 July 2000.

On 21 January 2004, the company announced that it had executed the Option Agreement pursuant to which Mr Troy Dalla-Costa granted the company an option to acquire the shares in InterNickel Australia Pty Ltd, the holder of the Lake Giles Assets, on the terms and conditions set out in that agreement. On 18 March 2004 the company lodged a Prospectus with ASIC to issue up to 15 million shares to raise a minimum of $3.0 million. The Prospectus was withdrawn on 1 June 2004 as it failed to meet the minimum subscription.

In late 2004 the company announced it had signed a letter of interest with Metallica Minerals Limited to acquire the Kingaroy Coal project for share consideration. Part of this transaction involved a change of name to InterCOAL Limited (InterCOAL) and a prospectus capital raising of $3 million. Prior to finalisation of the capital raising the company received correspondence which caused it to withdraw its prospectus and return application monies received.

On 1 December 2005 the company advised the ASX that it had commenced proceedings, which allege the conduct of Tarong Energy Limited in connection with the Prospectus of the company for the Kingaroy Coal project was conduct in breach of the Trade Practices Act 1974. The company has claimed damages of approximately A$1 million.

On 5 May 2006 the company lodged an amended statement of claim which added a claim for the loss of the opportunity to exploit the coal resource within the Taabinga deposit, located near the Tarong power stations.

On 26 May 2006 the company notified Tarong Energy's solicitors that damages of $30 million are being claimed against Tarong Energy for the loss of the opportunity to exploit the Taabinga coal resource. In support of this claim, the company has received an expert valuation report from Dr Brian White, Managing Director of Lakeside House Mining Pty Ltd (formally Tennent, Isokangas Pty Ltd), Consulting Mining Engineers.

The company now awaits the receipt of a defence from Tarong Energy.

Recently the company also agreed to assign its interest under the Lake Giles Option Agreement to Macarthur Minerals Limited. The consideration for the assignment was the entitlement of the company on exercise of the option by Macarthur to be issued a 20% interest in Internickel Australia. Macarthur has now agreed to acquire this entitlement from the company in order to gain 100% of the Lake Giles Assets. The company will be issued 1,000,000 shares in Macarthur at a deemed issue price of C$0.35 per share on completion of that transaction.

3.2 Capital Structure and Shareholders

Securities on issue as at 30 May 2006, can be summarised as follows:

Table 2

	Number of Securities
Fully paid Ordinary Shares	30,000,000
Options – 20 cents strike price	
i. November 2006	10,000,000
ii. June 2009	4,062,500

Table 3

Top 20 Shareholders at 30 May 2006

	%	Number of Shares
Jaldale Pty Ltd	10.21	3,062,500
Eke Holdings Pty Ltd	6.78	2,034,500
Academic Growth Institute Fund P/L	6,76	2,028,000
Canning Corp Pty Ltd	3.33	1,000,000
I E Properties Pty Ltd	2.54	762,500
Mr Morten Weaver	2.52	757,169
Brett A Taylor	2.27	681,555
Westglalde Pty Ltd	2.00	600,000
Tesha Pty Ltd	1.92	576,418
Mrs Juanita Davies	1.83	550,000
Beachhouse Investments Pty Ltd	1.67	500,000
Dr Alastair Rowland Brown	1.67	500,000
Clavell Holdings Pty Ltd	1.67	500,000
Picnic Point Development Venture P/L	1.67	500,000
Stegman International Consulting P/L	1.67	500,000
Woodstock Nominees (Qld) Pty Ltd	1.67	500,000
Roscious Pty Ltd	1.50	450,000
First Distribution Services Limited	1.33	400,000
Phillips Exploration Pty Ltd	1.21	364,029
Sinclair Exploration Pty Ltd	1.17	351,363
	55.39	16,618,034

Table 4

Distribution of Equity Securities

Number of Equity Securities Held	Number of Security Holders
1-1,000	281
1,001-5,000	551
5,001-10,000	132
10,001-100,000	145
100,001-over	51

There were 776 shareholders of less than a marketable parcel of Ordinary Shares (at the last price traded prior to suspension 26 July 2000).

3.3 Share Price History

The last price traded on the ASX was 12 cents prior to suspension on 26 July 2000 and a 6:1 consolidation.

3.4 Financial Performance

The reviewed statements of financial performance for the 6 months ended 31 December 2005 and audited statements of financial performance for the 12 months ended 30 June 2005 and 30 June 2004, are presented in the table below.

Table 5

	6 months to December 2005 $000's	**12 months to June 2005 $000's**	**12 months to June 2004 $000's**
Revenue from ordinary activities	-	1	54
Less			
– Doubtful debt expense	(300)	-	-
– Exploration expenditure written off	(127)	-	-
– Borrowing cost expenses	(15)	(7)	(34)
– Consultancy fees	(13)	(82)	(129)
– Administration expenses	(21)	(111)	(87)
– Other expenses from ordinary activities	(113)	(189)	(178)
Loss from ordinary activities before income tax expense	(162)	(815)	(374)
Income tax expense	-	-	-
Loss from ordinary activities after income tax expenses and attributable to members of InterCOAL	(162)	(815)	(374)

3.5 Financial Position

InterCOAL's statements of financial position as at 31 December 2005, 30 June 2005 and 30 June 2004 are presented in the table below.

Table 6

Statement of Financial Position

	December 2005 $000's	June 2005 $000's	June 2004 000's
Current assets			
Cash	7	64	30
Other	19	22	58
Total current assets	26	86	88
Non current assets			
Receivables	8	8	300
Plant and equipment	35	35	117
Total non current assets	43	43	417
Total assets	69	129	505
Current liabilities			
Interest-bearing liabilities	-	-	130
Payables	563	460	89
Total current liabilities	563	460	219
Total liabilities	563	460	219
Net assets	(494)	(331)	286
Equity			
Contributed Equity	10,995	10,995	10,797
Accumulated Losses	(11,489)	(11,326)	(10,511)
Total Equity	(494)	(331)	286

3.6 Cash Flows

The company's statement of cash flows for the six months ended 31 December 2005 and for the 12 months to 30 June 2005 and 30 June 2004 are presented in the table below:

Table 7

Statement of Cash Flows

	6 months to December 2005 $000's	12 months to June 2005 $000's	12 months to June 2004 $000's
Cash flows from operating activities			
Payments to suppliers and employees	(253)	159	(577)
Other inflows (net)	21	57	123
Net cash inflow/(outflow) from operating activities	(232)	(102)	(454)
Cash flows from investing activities			
Loans made	-	(4)	(300)
Exploration expenditure	-	(23)	(117)
Net cash outflow from (used) investing activities	-	(27)	(417)
Cash flows from financing activities			
Proceeds from Convertible Notes	-	-	870
Proceeds (repayment) of borrowings	235	37	32
Proceeds from issue of shares and other equity securities	(59)	125	-
Net cash inflow from financing activities	176	162	902
Net increase/(decrease) in cash held	(56)	33	30
Cash at the beginning of the financial year	63	30	-
Cash at the end of the financial year	7	63	30

3.7 Going Concern

In the Annual Report for the year ended 30 June 2005 in Note 1(a) the Directors stated:

> *There is significant uncertainty whether the company will be able to continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. The directors believe that the company will be successful in the above matters and, accordingly have prepared the financial report on the going concern basis.*
>
> *At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2005. Provisions have been made in the financial report relating to the recoverability of the non-current receivables. No other adjustments have been made to the financial statements relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.*

In the independent audit report to the members of InterCOAL, the auditors stated the following:

> *Inherent Uncertainty Regarding Continuation as a Going Concern*
>
> *Without qualification to the opinion expressed above, attention is drawn to the following matter.*
>
> *As a result of the matters described Note 1, there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.*

4 THE MINING INTERESTS

4.1 External Valuation

On 1 June 2006 Cooper Geological Services Pty Ltd issued a valuation report on the Eureka and British King Gold Mine projects to InterCOAL Ltd.

A copy of that report is attached to the Explanatory Memorandum to shareholders.

The report contains the following summary of estimated valuations:

SUMMARY OF ESTIMATED VALUATIONS (A$)			
PROJECT		**RANGE**	
	Low	**Expected**	**High**
Eureka Gold Mine Project	1,700,000	4,200,000	6,700,000
British King Gold Mine Project	1,200,000	1,500,000	1,700,000
TOTAL A$	**2,900,000**	**5,700,000**	**8,400,000**

The valuation was carried out by:

- Ian S Cooper B.Sc, A.R.S.M, F.G.S, M.A.I.M.M.

The report states *this valuation is based on The Australasian Institute of Mining and Metallurgy VALMIN Code*[1].

> [[1] The Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the Valmin Code), which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and which covers reports prepared after 1 July 1995 (as revised March 1998).]

The valuation report contains the following comment:

> *The valuations presented in this report are restricted to a statement of the value of the tenements. In the Valmin Code "value" is the "Fair Market Value" of a mineral asset or mineral security and is the estimated amount of money or the cash equivalent of some other consideration for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the Mineral Asset or Mineral Security should change hands on the valuation date between a willing buyer and a willing seller in an "arms length" transaction, wherein each party has acted knowledgeably, prudently and without compulsion.*

The author Mr Ian S Cooper visited the project areas during December 2003 and January 2004 and conducted a field review of the projects for the purposes of a report for Lefroy Gold Limited who at that time had options over the projects. Since that time both projects have been held under care and maintenance conditions and no material change to the status of the properties has occurred. The author conducted a brief inspection of the Eureka Gold Mine during March 2006, confirming that no material change has occurred at Eureka Gold Mine. The author's field knowledge from those visits of the projects and his knowledge from previous consulting assignments, in addition to information in various reports prepared by historical and current tenement holders, have been drawn upon in preparation of the report, as has data and reports supplied by InterCOAL Ltd and other publicly available data and publications. Where applicable the author has relied on previous estimates and proposals for project development.

5 EVALUATION

5.1 Introduction

5.1.1 Basis of evaluation

In this section we consider whether or not the Proposed Transaction is fair and reasonable for InterCOAL shareholders. Section 2.2 of this report contains the processes undertaken.

5.1.2 Valuation methodologies

To estimate the fair market value of the shares in InterCOAL consideration has been given to valuation methodologies recommended by ASIC Practice Note 43 regarding valuation reports of independent experts and common market practice. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings;
- analysis of a company's recent share trading history; and
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based upon the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides strong evidence on the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence on market value of a company as they may not account for company specific factors.

Discounted cash flow method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. This discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method; and
- liquidation of assets method.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets methods except the liquidation method assumes the assets are sold in a shorter time frame.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable or a significant proportion of a company's assets are liquid.

5.1.3 Selection of valuation methodologies

In view of:

(a) Market based methods:

- InterCOAL has recorded losses in recent reporting periods.

(b) Discounted cash flow method:

- Cash flow forecasts prepared by InterCOAL are very subjective and have therefore not been used.

By default the most appropriate methodology to value the shares in InterCOAL is by reference to the valuation of the underlying assets. The asset based approaches such as net realisable value and liquidation cost are most relevant when a significant proportion of a company's assets are liquid (eg a holding company), or if most of the company's value resides in its fixed assets. We have considered the asset-based approaches due to the nature of InterCOAL's operations. We have also considered the valuation of the mining projects to be acquired.

5.2 Valuation of InterCOAL before the Proposed Transaction

We have used an asset based approach to value the shares in InterCOAL using the value of assets and liabilities as disclosed in the recent financial statements.

To calculate the net assets per share, we have analysed the Statement of Financial Position as at 31 December 2005.

Table 8

InterCOAL Statement of Financial Position

	December 2005 $000's
Current assets	
Cash	7
Other	19
Total current assets	26
Non-current assets	
Receivables	8
Plant and equipment	35
Total non-current assets	43
Total assets	69
Current liabilities	
Interest-bearing liabilities	-
Payables	563
Total current liabilities	563
Total liabilities	563
Net assets	(494)
Net assets per share	$-

5.2.1 Recent Share Price Trading

The price of InterCOAL on the ASX provides the stock market assessment of the value of the market capitalisation of InterCOAL.

Its share price is subject to fluctuation due to general factors such as:

- movements in relevant indexes;
- general movement in the ASX; and
- changes in economic and other factors including interest rates, government policy, economic policy and exchange rates.

The share price is also subject to variation due to specific issues, which affect the perceived net worth of the assets.

Shares of InterCOAL have not been traded on the ASX since suspension on 26 July 2000. The last price at which shares traded was 12 cents before suspension and a 6:1 consolidation. In light of this it is prudent to treat any review of public share trade information with caution and treat the equity value as $nil.

5.2.2 Summary of Valuation Methods and Conclusion

The valuation of InterCOAL before the Proposed transaction is summarised in the following table.

Table 9

Valuation before the Proposed Transaction

	Value $
Asset backing	-
Share price trading	-
Assessed market value	-

5.3 The Mining Interest to be Acquired

In Section 4.1 of the Report are details of the valuation prepared by Cooper Geological Services Pty Ltd (CGS).

The report states:

> ***As potentially viable economic deposits are located within the Eureka and British King Gold Mine Projects the net present value of the deposits can be estimated and an informed judgement as to exploration potential made.***

Table 10

VALUATION SUMMARY			
RANGE:	**LOW**	**EXPECTED**	**HIGH**
AMOUNT (A$)	$2,900,000	$5,700,000	$8,400,000

The above valuation prepared by Cooper Geological Services Pty Ltd (CGS) is dated 1 June 2006. Based upon the qualifications and experience of the author we have neither sought nor obtained a further valuation of the mining projects.

5.4 The Effect of the Proposed Transaction on the operations of InterCOAL

Table 11

Summary of Shares on Issue After the Proposed Transaction

	Number of shares
Currently on issue	30,000,000
Ordinary shares issued in Placement	4,500,000
Ordinary shares to be issued in Further Placement	15,000,000
Issued to Devonport Pty Ltd	20,000,000
Issued to Alexanda Resources Pty Ltd	10,000,000
Total on issue after the Proposed Transaction	**79,500,000**

Table 12

Pro Forma InterCOAL Statement of Financial Position

	December 2005 $000's	Capital raisings $000's	Acquisition of mining interests $000's	Pro forma financial position $000's
Current assets				
Cash	7	1,800		1,807
Other	19			19
Total current assets	26	1,800		1,826
Non current assets				
Receivables	8			8
Investment	35		3,000	3,035
Total non current assets	43		3,000	3,043
Total assets	69	1,800	3,000	4,869
Current liabilities				
Interest-bearing liabilities	-			-
Payables	563			563
Total current liabilities	563			563
Total liabilities	563			563
Net assets	(494)	1,800	3,000	4,306
Equity				
Issued and paid up capital	10,995	1,800	3,000	15,795
Retained earnings (accumulated losses)	(11,489)			(11,489)
Total Equity *	(494)	1,800	3,000	4,306

** Total Equity does not include the value of 1,000,000 shares in Macarthur Minerals Limited issued to the company for its interest under the Lake Giles Option Agreement (refer section 3.1 of this report). This was announced to the ASX on 19 July 2006. At current prices this equates to approximately A$1.3 million.*

The pro forma adjustments to the Statement of Financial Position as at 31 December 2005 are as follows:

- Capital Raisings – using the data in Paragraph 5.4 above and assuming share issue costs of (say) $150,000.

- Acquisition of mining interests in Western Australia – totalling $3,000,000 (being 30 million shares at 10 cents each).

5.5 Valuation of InterCOAL after the Proposed Transaction

In determining this amount, we have had regard to:

- the valuation of InterCOAL before the Proposed Transaction;

- the effect of the Proposed Transaction and capital raisings on the operations of InterCOAL.

These valuations are summarised in the following table:

Table 13

Valuation of InterCOAL after the Proposed Transaction

		Value
Book Value of InterCOAL	$'000	(494)
Value of mining interests*	$'000	5,700
Capital raising	$'000	1,800
Value of InterCOAL after the Proposed Transaction	$'000	7,006
Number of Shares on Issue after transaction (refer Table 11)		79,500,000
Value per Share		$0.09

* being the 'expected value' as assessed by Cooper Geological Services Pty Ltd

5.6 Comparison of Values

Estimates of the fair market value of InterCOAL before the Proposed Transaction and after the Proposed Transaction is summarised in the table below.

Table 14

	Value
Before the Proposed Transaction	-
After the Proposed Transaction	$0.09

5.7 Fairness of the Proposed Transaction

As the value per share after the Proposed Transaction exceeds value per share before the Proposed Transaction, the Proposed Transaction can be regarded as fair to the non-associated ordinary shareholders of InterCOAL.

5.8 Reasonableness of Proposed Transaction

To decide whether or not the Proposed Transaction is reasonable to the non-associated shareholders, we have considered:

- The advantages and benefits to the non-associated InterCOAL shareholders derived from the Proposed Transaction, and
- The disadvantages and costs associated with the Proposed Transaction.

Both aspects directly above have been assessed independently and in addition to the financial assessment made in the previous section.

The likely advantages and disadvantages for InterCOAL shareholders if the Proposed Transaction proceeds are discussed below.

Advantages

- On the listing of the shares on the TSXV InterCOAL shareholders will have greater liquidity for their investment.
- InterCOAL can participate in the exploitation of the mining interests.
- InterCOAL most likely will have an improved ability to raise additional capital to fund growth.

Disadvantages

- A significant number of shares will be issued which will further significantly dilute the ownership proportions and voting rights of the existing InterCOAL shareholders and option holders.

- The acquisition of the mining interests is subject to both ordinary business risk and other risks specific to the business, which may expose InterCOAL to additional risks and any adverse outcomes.

Having regard to the advantages and disadvantages, the position of the shareholders if the proposed transaction is not approved and the other considerations, as set out in this section of this report, it is concluded that the Proposed Transaction is reasonable when considering solely the interests of the non-associated shareholders.

5.9 Premium for Control

Policy Statement 74 requires that the expert give an opinion as to whether the proposed issue of shares will result in the Company receiving any premium for control. In giving their opinion, the expert should:

- consider whether there are any contracts or proposed contracts between the allottee and the company which is conditional upon, or directly or indirectly dependent on, shareholders' agreement to the allotment;

- quantify any premium; and

- set out reasons for forming that opinion and why under the circumstances it is appropriate to regard the benefit as constituting a premium for control.

In determining whether a control premium will be received as a result of the proposed issue of shares in InterCOAL we have considered the requirements of ASIC Policy Statement 74 as detailed above.

On the basis of the analysis, the value per InterCOAL share if the Proposed Transaction proceeds compared to the value if it does not indicates that the vendor will pay a premium for control in which all shareholders will participate.

APPENDIX 1: SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- The financial statements of InterCOAL for the periods ended 31 December 2005, 30 June 2005 and 30 June 2004.

- Discussions with and representations from Mr Alan Phillips (Director) of InterCOAL.

- Option agreements dated 1 June 2006 between InterCOAL and Devonport Pty Ltd and Alexanda Resources Pty Ltd.

- Valuation of the mining interests prepared by Cooper Geological Services Pty Ltd dated 1 June 2006.

- Previous proposals and prospectuses issued by InterCOAL.

- Other publicly available information about InterCOAL including the announcements made about the proposed transaction

APPENDIX 2: QUALIFICATIONS, DECLARATIONS AND CONSENTS

This report has been prepared at the request of the independent Directors of InterCOAL and is to accompany the notice of the meeting to be given to shareholders for approval of the proposed transaction. Accordingly, it has been prepared only for the benefit of the independent Directors and those persons entitled to receive the notice of the meeting in their assessment of the proposed transaction outlined in the report and should not be used for any other purpose.

The Partner of Robertsons solely responsible for the preparation of this report was Anthony W Thomas ("AWT") B.Com, MFM, FCA, FCPA. He has many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. He is the holder of a Financial Services Licence under the Corporations Act.

The report represents solely the expression by AWT of his opinion as to whether the Proposed Transaction is fair and reasonable. Consent is given to this report accompanying the notice of meeting.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, AWT has relied upon the information provided by the Directors and Executives of InterCOAL, which he believes, on reasonable grounds, to be reliable, complete and not misleading. AWT and Robertsons does not imply, nor should it be construed, that it has carried out any form of audit verification on the information and records supplied to us. Drafts of this report were issued to InterCOAL and management for confirmation of factual accuracy.

Furthermore, recognising that AWT may rely on information provided by InterCOAL and its officers and/or associates, InterCOAL has agreed to make no claim by it or its officers and/or associates against AWT to recover any loss or damage which InterCOAL or its associates may suffer as a result of that reliance and also has agreed to indemnify against any claim arising out of the assignments to give this report, except where the claim has arisen as a result of any proven wilful misconduct or negligence by AWT.

Robertsons and AWT have previously provided expert's reports to InterCOAL. Apart from this, AWT, Robertsons and its associates have not previously had any shareholding or other relationship with InterCOAL that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion on the proposed transaction. No role has been played in the formulation of the proposed transaction other than in the preparation of this report. Independence has been achieved in terms of Practice Note 42 issued by ASIC in December 1993.

There is a fixed fee of $5,000 plus re-imbursement of out of pocket expenses for preparation of this report. It is not contingent on the outcome of the proposed transaction.

Annexure B
Report of

COOPER GEOLOGICAL SERVICES PTY. LTD.

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1st June 2006

The Directors
Intercoal Ltd
Level 19 Riverside Centre
123 Eagle Street
Brisbane 4000

Dear Sirs

INDEPENDENT GEOLOGICAL EXPERT REPORT AND VALUATION OF THE EUREKA AND BRITISH KING GOLD MINES, WESTERN AUSTRALIA

At your request we have prepared this Independent Geological Expert Report and Valuation of the Eureka and British King Gold Mine Projects which are to be included in the proposed Notice of Meeting, Explanatory Memorandum and Independent Expert Report to be issued to shareholders of Intercoal Ltd in order to hold a General Meeting to approve the acquisition of the Eureka and British King Gold Mines. Subsequent to that a prospectus is to be issued by Intercoal Ltd to raise sufficient funds to enable Intercoal Ltd to relist. This report has been prepared for inclusion in a Notice of Meeting, Explanatory Memorandum and Independent Expert Report to be issued to shareholders of Intercoal Ltd dated on or about the 14th June 2006.

The Author has prepared this report for Intercoal Ltd for the purpose mentioned above. The Author's consent for its use is only given for the purpose mentioned above and the report should not be relied upon for any other purpose.

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the Valmin Code) [(3)], which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and which covers reports prepared after 1st July 1995 (as revised March 1998).

The preparation of the Independent Expert Report and Valuation has been conducted by Ian S. Cooper ("the Author"), a Director and Senior Geologist of Cooper Geological Services Pty Ltd ("CGS") whose qualifications are outlined in a summary resume below.

Summary resume of Ian S. Cooper B.Sc., A.R.S.M., F.G.S., M.A.I.M.M.

Ian S Cooper has over twenty year's professional experience as a geologist in mineral exploration. He has worked on gold, base metal and diamond projects in Queensland, New South Wales, Victoria, Western Australia, Northern Territory and South Australia in addition to overseas experience in Sierra Leone, West Africa and the Philippines, Asia. Other overseas experience includes study visits to the USA, South Africa, New Zealand, Europe, the UK and Ireland. He graduated from the Royal School of Mines, London University, U.K. with B.Sc. (Hons) and A.R.S.M. (Associate Royal School of Mines) degrees from that institution. Previously he was the Senior Geologist for Sons of Gwalia NL in Eastern Australia and also a geologist with the BP Minerals / Seltrust Mining Group. Now Mr Cooper is a Director and Senior Geologist of Cooper Geological Services Pty Ltd, which is based in Brisbane and provides specialist geological, evaluation and management services to mining corporations throughout Australia and overseas. He is a corporate member of the Australasian Institute of Mining and Metallurgy.

Neither CGS nor the Author has any interest in the project subject to this Independent Expert Report nor companies associated with the project. The preparation of the Independent Expert Report and Valuation for the Eureka and the British King Gold Mines which are located in Western Australia will be subject to the following conditions:

Intercoal Ltd has agreed to provide an Indemnity to Cooper Geological Services Pty. Ltd. and the Author of this report as provided for under clause 157 of the Guidelines to the "Valmin Code" as adopted by the Aus.I.M.M. 17th February 1995.

Intercoal Ltd has warranted to CGS:

- That to the best of its knowledge and understanding, complete, accurate and true disclosure is made to CGS of all Material information relevant to the report.
- That CGS has such access to Intercoal Ltd personnel and records as, in the reasonable opinion of CGS, is necessary to enable a proper assessment of the mineral assets, which are the subject of the report.
- That the Independence of CGS is respected at all times.

Fees for the preparation of the reports are being charged at normal commercial rates with expenses being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions of these documents nor on the outcome of the proposed company restructure.

The Author visited the project areas during December 2003 and January 2004 and conducted a field review of the projects for the purposes of a report for Lefroy Gold Limited who at that time had options over the projects. Since that time both projects have been held under care and maintenance conditions and no material change to the status of the properties has occurred. The author conducted a brief inspection of the Eureka Gold Mine during March 2006, confirming that no material change has occurred at Eureka Gold Mine. The Author's field knowledge from those visits of the projects and his knowledge from previous consulting assignments, in addition to information in various reports prepared by historical and current tenement holders, have been drawn upon in the preparation of the report, as has data and reports supplied by Intercoal Ltd and other publicly available data and publications (a list of references and information relied upon by the Author follows the report). The Author does not doubt the authenticity or substance of previous investigation reports but has not carried out a total audit of the available information. Where applicable the author has relied on previous estimates and proposals for project development.

Yours faithfully,

Ian S Cooper

Ian S. Cooper B.Sc., A.R.S.M., F.G.S., M.A.I.M.M.
Director & Senior Geologist

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INDEPENDENT GEOLOGICAL EXPERT REPORT

1 SUMMARY

Intercoal Ltd ("Intercoal") has acquired from Devonport Pty Ltd the Eureka Gold Mine project and from Alexanda Resources Ltd the British King Gold Mine Project. Figures 1 and 2 show the location of Intercoal's projects.

The Eureka Gold Project located some 50km north of Kalgoorlie (Fig 1) and the British King Gold Project located near Darlot some 320km north west of Kalgoorlie (Fig 2) are advanced projects.

Both the Eureka Gold Mine and the British King Gold Mine have defined (JORC Code [14]) gold resources and proposed plans for mining.

1.1 LOCATION, ACCESSIBILITY, INFRASTRUCTURE

The projects are located around the regional mining city of Kalgoorlie in the Eastern Goldfields of Western Australia. The Eureka Mine is approx 50km north of Kalgoorlie and within a kilometre of the sealed highway to Leonora. The British King Mine is located some 320km north of Kalgoorlie accessed via the Kalgoorlie to Leonora to Leinster highways and via the Weebo/Darlot road.

1.2 CLIMATE, PHYSIOGRAPHY

The climate of the Eastern Goldfields region is semi arid with a mean annual rainfall of about 267.9mm (Kalgoorlie-Boulder Airport 2003 - Commonwealth Bureau of Meteorology) with rainfall mostly in the winter. Temperatures are moderate to high in the summer months with an average of 40.2 days per year over 35.5ºC between October and April and the Mean Daily Minimum Temperature for May through September does not exceed 8.6ºC.

Vegetation of the region is dominated by mulga scrub with local patches of low to medium Eucalyptus woodland and areas of salt tolerant shrub.

2 EUREKA GOLD PROJECT

2.1 INTRODUCTION

The Eureka Gold Project area (Figure 3) includes the Eureka Open Pit previously mined by West Coast Holdings and areas along strike to the north containing the mine sequence stratigraphy. In the northern end of the pit recent drilling has defined gold mineralisation considered economically accessible by way of a cut back of the existing open pit. Exploration potential is also demonstrated at depth below the existing open pit. Current resources (JORC code) are stated at:

Measured Resource estimate (2 July 2003) 451,000 tonnes at 4.4g/t Au Containing 64,200 ounces of gold [18 & 19].

2.2 LOCATION, ACCESSIBILITY, INFRASTRUCTURE

The Eureka Mine is located adjacent to Bardoc, which is approx 50km north of Kalgoorlie in the Eastern Goldfields region of Western Australia (Figure 1). All weather access is provided via the sealed Kalgoorlie to Leonora highway and approx 3km of prepared gravel haulage road. The mine is located on ML24/189 which hosts an open cut mine that has been excavated to 110m depth and also the associated waste dumps of that operation [4].

2.3 PROPERTY DESCRIPTION AND TENURE

The project area currently comprises four granted mining leases. Table 1 summarises the tenure status.

Table 1: Tenure Eureka Gold Project

Tenement	Area (Ha)	Registered Holder	Comments
M24/0189	219	Devonport Pty Ltd	SNBC Royalty Bond 209889 Agreement 367H/890
M24/0584	111	Devonport Pty Ltd	SNBC Royalty
M24/0585	105	Devonport Pty Ltd	SNBC Royalty
M24/0586	130	Devonport Pty Ltd	SNBC Royalty
TOTAL	**565 Ha**		

2.4 REGIONAL GEOLOGICAL SETTING

The project is located within a sequence of mafic and ultramafic rocks forming part of the Kalgoorlie - Menzies sector of the Archaean Norseman to Wiluna greenstone belt (Fig 1). The layered sequence is approximately six kilometres wide, with a northerly trend, is intruded by east west trending Proterozoic mafic dykes and is bounded to the east and west by complex granitic plutons.

In the vicinity of Eureka, the sequence has generally an easterly dip of 65 to 70 degrees, which is paralleled by the regional foliation. Regional metamorphism of the sequence is to lower greenschist facies.

The Eureka project area is located on the eastern limb of the major southeast plunging Goongarrie-Mt Pleasant anticline. The eastern limb consists predominantly of north northwest trending mafic and ultramafic lithologies, with minor thin interflow sediments, bounded to the west by pre- to syn-tectonic granitoid forming the core of the regional anticline.

To the east, the Bardoc-Broad Arrow Synform occurring between the major Goongarrie-Mt Pleasant and Scotia-Kanowna Anticlines is subject to significant disruption by the broad Bardoc Tectonic Zone. This zone consists of multiple shear zones occurring within intercalated felsic, mafic and ultramafic lithologies in the vicinity of the synformal axis. The Bardoc Tectonic Zone is host to the Paddington and Bardoc gold deposits [(4)].

2.5 PROJECT GEOLOGICAL SETTING

Outcrop within the Eureka Project tenements is poor, the majority of outcrop being located north of the open pit (Figure 3). The depth of oxidation within unaltered rock is approximately 100 metres whereas within the highly altered ore zone intense weathering is apparent at depths of around 125 metres (Figure 4).

Based on drill hole data [(5)] the geological sequence at Eureka is subdivided as follows:

Stratigraphic Sequence

Basaltic Sequence - consisting of essentially basaltic rocks with subordinate sediments and coarser grained gabbroic/doleritic material near the unit's base. The sequence has been correlated with the Bent Tree Basalt.

Footwall Shale Horizon - a semi-continuous unit around 1.5 to 2 metres thick, which can be, traced from the Eureka open pit northwards for approximately 1km. The horizon is composed of well-bedded black pyritic shales, which are rarely interbedded with green mafic tuffs.

Footwall Mafic Intrusives - a sequence of metadolerite/metagabbro, which forms the major footwall unit at Eureka. The sequence crops out as coarse grained noritic and plagioclase rich gabbroic rocks to the north of the open pit.

Alteration

Metasomatic alteration is pervasive within the lower mafic unit and rarely extends into the upper basalts. The alteration varies in intensity and style and includes sericitization, chloritization, silicification, carbonatization, sulphidization, albitization and biotization. Alteration appears to terminate at or above the Footwall Shale Horizon but does extend into the upper basalt as weak sericization and carbonization.

Mineralisation

High grade gold mineralisation at Eureka is associated with veining within the altered lower mafics. The vein system, which typically consists of quartz, carbonate and sulphide, has a variable thickness of up to 20 metres.

2.6 PREVIOUS EXPLORATION AND MINING ACTIVITY

The Eureka project has been the site of intensive exploration and mining activity that was conducted by West Coast Holdings Limited during the period 1985 to 1986 [(6)].

An open pit has previously been excavated on M24/189 with the recovery of approximately one tonne of gold that was treated at a C.I.L. treatment plant at Grants Patch some 18km southwest of Eureka.
The mineralisation exploited in the open pit consisted of a number of lens shaped shoots up to 10 metres wide within an intensely sheared zone some 30 metres wide.

Best mineralisation within the pit were encountered in the supergene zone with intersections of:

13.45m @ 6.90 g/t Au in DEK 15, 11.3m @ 12.90 g/t Au in DEK 25, 5.55m @ 17.2 g/t Au in DEK 37 and 3.0m @ 14.2 g/t Au in DEK 12. All the above intersections were in Deans Shoot at the north end of the pit

And 8.3m@ 8.84 g/t Au in DEK 2, 3.7m @ 11.03 g/t Au in DEK13B and 6.7m @ 8.66 g/t Au in DEK 4. In the Epis Shoot at the southern end.

Central Kalgoorlie Gold Mines NL ("CKG") around 2002 completed several drilling programmes to investigate extensions of mineralisation beneath and along strike from the existing pit (Figure 3). The programmes provided data for an evaluation of the potential for a cut back of the existing pit. The drilling targeted extensions of mineralisation of:

4.75m @ 11.6 g/t Au in DEK 33 some 60m north of the existing pit, 4.55m @ 8.86 g/t Au in DEK 42 beneath the northern end of the pit and 6.0m @ 7.05 g/t Au in DEK 13 south of the pit.

CKG recognised that the mineralisation at Eureka is characterised by coarse gold, erratically distributed in a lower grade halo, thus it was considered that analysis by 1kg bottle rolls using the Leachwell process whereby gold is extracted from the drill sample by cyanide solution over a 24 hour period of agitation prior to analysis of the solution. Results of significant drill hole intersections [15, 16, & 17] for the CKG drilling are presented in Table 2.

Table 2: Eureka - Summary of Significant Drill Hole Intersections

Hole Number	From (Metres)	To (Metres)	Interval (Metres)	Grade (Au g/t)
ERC 1	90	101	11	2.45
ERC 2	124	131	7	2.81 including
	122	123	1	8.28 and
	129	130	1	8.58
	139	140	1	3.29
ERC 4	31	32	1	2.41
	39	40	1	1.17
	58	64	4	5.77 including

	59	69	1	11.60
ERC 5	103 103	113 104	10 1	3.95 including 12.70
ERC 6	36 61 66 88	40 72 68 91	4 11 2 2	4.17 8.5 including 34.70 3.67
ERC 7	59 91	60 92	1 1	1.85 3.88
ERC 10	46 57 75	48 59 79	2 2 4	2.28 2.26 2.13
ERC 11	58 70	63 75	5 5	2.11 2.89
ERC 12	47	51	4	2.18
ERC 15	4 12	13 13	9 1	3.47 including 9.93
ERC 16	40	52	12	1.73
ERC 17	54 79	55 82	1 3	2.38 3.61
ERC 18	36 60 61 69	37 70 62 70	1 10 1 1	2.70 5.96 including 35.0 and 10.7
ERC 20	130	133	3	1.16
ERC 21	164	165	1	2.54
ERC 22	147	150	3	2.06
ERC 23	20 53	21 54	1 1	2.23 1.51
ERC 24	69	70	1	1.75
ERC 25	50 59 62 72	51 60 63 73	1 1 1 1	9.22 1.26 1.94 17.00
ERC 26	41 44 47	42 45 48	1 1 1	2.02 1.70 2.14
ERC 29	161	165	4	3.41
ERC 30	77 115 145	80 116 146	3 1 1	2.04 1.66 4.44
ERC 31	94 96 131 139	95 97 133 140	1 1 2 1	2.76 1.43 2.19 5.65
ERC 32	111 121 146	113 123 148	2 2 2	1.81 1.10 1.90
ERC 34	95 138	96 143	1 5	1.33 2.28

ERC 46	11	15	4	1.30
	42	46	4	33.7 including
	42	43	1	110.00
ERC 47	1	2	1	1.4
ERC 48	22	25	3	2.0
	30	31	1	1.2
ERC 49	25	29	4	1.8
ERC 56	34	35	1	1.3
	58	59	1	25.5

2.7 RESOURCE ESTIMATES AND PROPOSED MINING

On 2nd July 2003 CKG announced *(18)* a Measured Resource estimate for the Eureka Gold project of:

Measured Resource estimate (2 July 2003) 451,000 tonnes at 4.4g/t Au Containing 64,200 ounces of gold.

The resource is contained in three shoots around and beneath the existing Eureka open pit (Table 3).

Table 3: Eureka Measured Resource (2nd July 2003)

SHOOT	TONNES	GRADE (g/t Au)	CONTAINED GOLD (ounces)
Northern Shoot	350,000	4.8	54,000
Central Shoot	24,000	3.5	2,700
Southern Shoot	77,000	3.0	7,500
Total	**451,000**	**4.4**	**64,200**

The North Shoot extends from 4145mN to 4310mN between RL 360m (60m below the surface) and RL 190m (230m below the surface and is open at depth over a strike length of 150m. the bulk of the resource lies between the depth of the old pit with a wedge extending 50 metres above the pit floor in the immediate northern batter of the pit.

The Central Shoot extends from 4050mN to 4105mN between RL 310m (the floor of the old pit) and RL 260m and the Southern Shoot extends from 3970mN to 4030mN, between RL 370m (50m below the surface) and RL 250m (150m below the surface). Both the Central and Southern Shoots are open at depth (Figure 3).

Intercoal have in place advanced mine development studies and previously CKG had lodged a notice of intent to mine at the Eureka project. Intercoal intend to lodge an amended notice of intent to mine and proceed with development of the project.

A Preliminary Optimization Study [7 & 8] for the Eureka Deposit was prepared in November 2002 by Minecomp Pty Ltd (a Kalgoorlie based Mining consultancy) for CKG. The study based on the then current mineral resource (the initial Measured Resource estimate published by CKG was - 250,000 tonnes @ 4.8 g/t Au containing 38,000 ounces of gold) was commissioned by CKG to optimise the Eureka Deposit and calculate the associated mining reserves and subsequent financials. That optimization study was to be considered as first pass.

Intercoal have recently commissioned Minecomp Pty Ltd to up date the Preliminary Optimization Study [20] in light of current conditions.

The 2006 Minecomp Pty Ltd study found that based on the ore resource model and the assumed slope parameters and cost structure, the A$900/oz optimum mining reserves for the Eureka deposit were calculated in 2006 to be 207,063t at 4.36g/t. These ore tonnes were proposed to be mined in conjunction with a stripping ratio of 20.5:1 (waste volume to ore volume). When financially evaluated by Minecomp Pty Ltd in the 2006 study, the design produces 26,728 ounces of gold at an operating cash cost per ounce of A$644. At a gold price of A$900/oz, the design yields an operating profit of $5,706,119[20]. The updated study conducted for Intercoal has been used in estimating a range of values later in this report.

Since the Minecomp Pty Ltd study in 2002 the Measured Resource at Eureka has been upgraded following further drilling by CKG but that data was not considered in the updated report nor in the valuation estimation carried out by the Author. While the price of gold in US$ has increased during the period the exchange rate with the A$ has adjusted also with gold in A$ remaining at similar levels to 2002. Thus it is expected that with an upgraded optimization study based on the current resource estimation the operating profit would increase in line with the increase of resources.

2.8 EXPLORATION POTENTIAL

CKG completed a detailed assessment of all the existing exploration data on the tenements and established priority targets for further exploration to test the main shear structure (Figure 3 and 4) along strike from the pit area and other targets defined by earlier exploration within the tenements.

A number of exploration targets exist within the Eureka leases away from the immediate open pit area (Figure 3).

A line of shallow workings exists north of the pit for about 900 metres. There has been some shallow RAB drilling but the zone had not been tested at the depth of possible supergene enrichment.

The exploration potential of the area is highlighted with results of the CKG drilling approximately 600 metres north of the open pit, where the following significant results were returned from a nine hole programme of drilling (Table 4).

Table 4: Eureka Northern Exploration Area - Summary of Significant Drill Hole Intersections

Hole Number	From (Metres)	To (Metres)	Interval (Metres)	Grade (Au g/t)
ERC 39	53	57	4	134.0 including
	53	54	1	163.0 and
	54	55	1	347.0 and
	55	56	1	25.6 and
	56	57	1	2.5
ERC 46	42	46	4	33.7
ERC 56	58	59	1	25.5

The main shear zone that hosts the known mineralisation extends south of the pit and also has not been adequately tested for zones of supergene enrichment.

Some 2000 metres south east of the Eureka pit, previous work defined a surface gold geochemical anomaly over a strike length of 600 metres. This zone has not been adequately tested nor has the potential for structures parallel to the main shear been fully assessed.

3 BRITISH KING GOLD PROJECT

3.1 INTRODUCTION

The British King Mine is located some 5km west of Barrick Gold Corporation's Darlot Mine some 320km north of Kalgoorlie (Figure 2). Gold mineralisation is hosted by an east-west orientated narrow quartz reef structure, with approximately 400 metres of the reef located in the mining lease (M37/00030). Historically the British King mine was exploited by way of a series of shafts and underground workings [10 & 11] and currently the ore is accessed via two main shafts and a number of smaller shafts (Figure 5). The project has an extensive database of drilling and underground development sampling on which resource estimates are based. Current resources (JORC code) are stated [13] at:

Total Resource estimate (Inferred plus Measured categories) 147,000 tonnes at 20g/t Au containing 94,500 ounces of gold,
Including:

Total Measured Resource estimate (to 135 metres depth) 24,000 tonnes at 20g/t Au containing 15,400 ounces of gold

3.2 LOCATION, ACCESSIBILITY, INFRASTRUCTURE

The British King Mine is located some 320km north of Kalgoorlie accessed via the Kalgoorlie to Leonora to Leinster highways and via the Weebo/Darlot road. The mining lease is located approximately 5km from Barrick Gold Corporation's Darlot Mine. Mine infrastructure includes equipment necessary to operate a small scale underground mining operation including accommodation units, a production shaft, associated ventilation shafts, underground workings and associated equipment for small scale underground mining *(9, 12 & 13)*. The project also consists of a miscellaneous licence application on which were previously constructed evaporation ponds for disposal of mine water. The author is not an expert in relation to condition of mine infrastructure and has included the above information for the readers' background only.

3.3 PROPERTY DESCRIPTION AND TENURE

The project area currently comprises one granted mining lease and one miscellaneous lease application. Table 5 summarises the tenure status.

Table 5: Tenure British King Gold Project

Tenement	Status	Area (Ha)	Registered Holder
M37/0030	Current	10	Alexanda Resources Pty Ltd
MiscLA37/162	Not yet granted	(7)	Alexanda Resources Pty Ltd
MINING LEASE TOTAL		**10 Ha**	

3.4 REGIONAL GEOLOGICAL SETTING

The project is located in the Mt. Clifford to Weebo portion of the Norseman to Wiluna greenstone belt. The regional geology is dominated by northwest trending lineaments and layered sequences comprised of mafic extrusive and intrusive rock with intercalated felsic volcanic rocks. Regionally the sequence is intruded by granitoid rocks of tonalite or adamellite composition *(9 & 13)*. Felsic dykes and quartz veins have developed late in the tectonic history. The quartz veins are associated with the introduction of gold mineralising fluids.

3.5 PROJECT GEOLOGICAL SETTING

The lease containing the British King Mine is located towards the western end of an east-west mineralised quartz reef structure, with approximately 400 metres of the structure located in the mining lease. The east-west quartz reef dips at between 50º to 65ºto the south (Figure 5). The host rock is predominantly trachyte. Surrounding the quartz veins is a narrow bleached zone of sericite/carbonate altered trachyte.

Gold mineralisation at the project is hosted in a narrow quartz vein (the Main Vein) which varies in thickness from 0.35 metres to 1 metre. Data from drilling and underground development shows this vein to be mineralised throughout the length of the tenement. In places the vein splits or splays into up to three separate quartz veins.

3.6 PREVIOUS EXPLORATION AND MINING ACTIVITY

Historical records indicate past production, which was produced via a series of shafts and underground workings (Figure 5) to have been:

1900 - 1909	12,250 t at 17.6 g/t Au
1943 - 1947	4,000 t approximately (grade unknown)
1976 - 1984	1,606 t at 25.2 g/t Au

The ore zone was accessed by two main shafts and a number of smaller shallow shafts. The Main Shaft has production down to the present production level (Figure 5) at 75 metres while the West Shaft is developed to the 45 metre level [(9)].

3.7 RESOURCE ESTIMATES AND PROPOSED MINING

Resource estimates as at January 2004 [(13)] are shown in Table 6. A measured resource located between the 45 metre level and the 135 metre level is proposed to be extracted by an appropriate underground mining method for the deposit. A study carried out in 1994 [(9)] proposed two preliminary mining plans to the 75 metre level and also to the 135 metre level. The mining plan included schedules of production and costs over the anticipated life of two years and four years respectively. In the first case it was proposed to mine solely above the 75 metre level using existing infrastructure where as in the second case the main shaft would be deepened to the 135 metre level and provide two additional levels in the mine. Drive development has been carried out on reef and stoping has been by a shrink stoping method. This approach to mining is appropriate for this style of mineralisation.

Table 6: British King Resource (January 2004)

Measured: 45m Level to 135m Level (West)	24,000	20.00	15,400
Inferred: base of measured resource and mined resource to tenement boundary	123,000	20.00	79,100
TOTAL RESOURCE ESTIMATE	**147,000**	**20.00**	**94,500**

3.8 EXPLORATION POTENTIAL

In 1995 Target Resources, who had an option over the property, completed a programme of drilling of deeper parts of the vein [11 & 12]. That drilling indicated that the best mineralisation below the 75 metre level occurs in the western section of the lease. In that location the drilling located wider zones of siliceous and haematitic alteration associated with low gold grade mineralisation (drill holes BK 107 and BK 105). Any improvement in grade with depth below this section could result in wider zones of possible economic mineralisation.

Global resources have been estimated to the 135 metre level depth, at the present dip the Main Reef is contained within the southern portion of the mining lease to a depth of around 230 to 250 metres below the surface. Assuming that the reef maintains the thickness as shown by underground development and drilling then potential for additional tonnage of 60,000 tonnes to 80,000 tonnes could exist below 135 metres to the southern edge of the mining lease.

4 INDEPENDENT VALUATION OF THE MINERAL ASSETS

4.1 SUMMARY OF VALUATIONS

Table 7 summarises the estimated valuations given by the Author for the Eureka Gold Mine Project (which comprises M24/0189, M24/0584, M24/0585 & M24/0586) and the British King Gold Mine Project (which comprises M37/0030 and MiscLA37/162) which are located in Western Australia, this valuation is discussed in detail in the following sections of this report.

Table 7 - SUMMARY OF ESTIMATED VALUATIONS

SUMMARY OF ESTIMATED VALUATIONS (AU$)

PROJECT	VALUATION		
	LOW	EXPECTED	HIGH
Eureka Gold Mine Project	1,700,000	4,200,000	6,700,000
British King Gold Mine Project	1,200,000	1,500,000	1,700,000
TOTAL AU$	**2,900,000**	**5,700,000**	**8,400,000**

4.2 INTRODUCTION

This valuation report has been prepared by Ian Stewart Cooper (the Author) of Cooper Geological Services Pty. Ltd. at the request of Intercoal Ltd in order to establish the present market value of the Eureka and British King Gold Mine Projects, which are located in Western Australia. The locations of the projects are shown on Figures1 and 2.

This valuation estimate has been prepared for inclusion in a proposed Notice of Meeting, Explanatory Memorandum and Independent Expert Report to be issued to shareholders of Intercoal Ltd in order to hold a General Meeting to approve the acquisition of the Eureka and British King Gold Mines. Subsequent to that a prospectus is to be issued by Intercoal Ltd to raise sufficient funds to enable Intercoal Ltd to relist. The Notice of Meeting, Explanatory Memorandum and Independent Expert Report to be issued to shareholders of Intercoal Ltd is to be dated on or about the 14th June 2006.

The Author has prepared this report for Intercoal Ltd for the purpose mentioned above. The Author's consent for its use is only given for the purpose mentioned above and the report should not be relied upon for any other purpose.

All valuations given in this report are the expected values at the 1st June 2006. The valuation is only valid for the date mentioned above and may change with time in response to variations in economic, market, legal or political conditions in addition to exploration results, which may be positive or may be negative.

The Author has prepared this report for the use mentioned above and the report is believed, by the Author, to comply with The Valmin Code *(3)* as adopted by the Australasian Institute of Mining and Metallurgy on 17th February 1995 (as revised March 1998). Values are given in Australian Dollars (AU$) unless otherwise stated.

The valuations presented in this report are restricted to a statement of the value of the tenements. In the Valmin Code "value" is the "Fair Market Value" of a mineral asset or mineral security and is the estimated amount of money or the cash equivalent of some other consideration for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the Mineral Asset or Mineral Security should change hands on the valuation date between a willing buyer and a willing seller in an "arms length" transaction, wherein each party has acted knowledgeably, prudently and without compulsion.

The Author is a geologist with more than twenty years experience in the mineral exploration and mining industry. The Author's summary resume has been included in this report.

Cooper Geological Services Pty. Ltd. will be paid a fee for the preparation of this report plus reimbursement of expenses. Payment of such fees is not contingent on the conclusions of this report.

Except in respect of the fees as set out, neither Cooper Geological Services Pty Ltd or the Author have any interest in the tenements subject to this valuation or in Intercoal Limited nor the vendors of the project.

The Author has viewed tenure details as laid out by Intercoal, the Intercoal information indicates that the project areas are either granted Mining Leases or Miscellaneous Purpose Lease Applications. The Author has not carried out independent inquiries of the tenure status and no warranty as to the tenure status is made by CGS or the Author.

There is no reason to doubt the authenticity or substance of the reports and material made available by Intercoal Ltd.

4.3 VALUATION METHOD

As potentially viable economic deposits are located within the Eureka and British King Gold Mine Projects the net present value of the deposits can be estimated and an informed judgment as to exploration potential made.

4.4 VALUATION OF THE EUREKA GOLD MINE PROJECT - M24/0189, M24/0584, M24/0585 & M24/0586

4.4.1 Method

A Net Present Value (NPV) has been estimated for the **Eureka Gold Mine Project** based on the results of a Preliminary Pit Optimisation Study [20] carried out by Gary McCrae of Minecomp Pty Ltd (Mr McCrae has agreed to the referencing of his report in this valuation), some valuation of the exploration potential of the mining leases should also be discussed in estimating the projects value.

The optimization parameters used by Minecomp Pty Ltd in their study were: -

- Gold Price - A$700/oz -> A$1,1000 in A$25 increments
- Mining Costs - (assumed from similar South-Eastern Goldfields Operations)
- 430m RL -> 420m RL - $3.40/BCM
- 420m RL -> 400m RL - $3.60/BCM
- 400m RL -> 380m RL - $3.80/BCM
- 380m RL -> 360m RL - $4.00/BCM
- 360m RL -> 340m RL - $4.30/BCM
- 340m RL -> 320m RL - $4.60/BCM
- 320m RL -> 300m RL - $4.90/BCM
- 300m RL -> 280m RL - $5.20/BCM
- 280m RL -> 260m RL - $5.60/BCM
- 260m RL -> 240m RL - $6.00/BCM
- Blasting Costs – (assumed from existing Eureka open pit and discussion between Bill Goode and Gary McCrae)

- 430m RL -> 400m RL - 0% @ $2.00/BCM
- 400m RL -> 380m RL - 30% @ $2.00/BCM
- 380m RL -> 360m RL - 60% @ $2.00/BCM
- 360m RL -> 340m RL - 80% @ $2.00/BCM
- 340m RL -> 240m RL - 100% @ $2.00/BCM
- Rehabilitation (assumed) $ 0.20/BCM Waste
- Dayworks (assumed) $ 0.10/BCM Waste
- Grade Control Costs (assumed) $ 2.00/t ore milled
- Ore Haulage Costs (assumed for 70km haul distance) $ 8.40/t ore milled
- Milling Costs (assumed) $28.00/t ore milled
- Administration (assumed) - $ 3.00/t ore milled
- Mining Recovery (assumed) 100%
- Mining Dilution (assumed) 10% @ 0.00g/t
- Milling Recovery - 92%
- Topography From digitized existing pit survey
- plus additional mining to 310m RL
- Overall Wall Slope Angle 48^{0}

Based on the Minecomp Study tables of Optimum Mining Reserve Sensitivities were produced showing projected operating profit at the various gold price levels (A$25 increments from A$700 to A$1000), the Author has used those tables as the basis of the valuation of the Eureka Gold Mine Project. The Author considered that, as the Study was defined by McCrae as preliminary, some discount to the calculated operating profit should be applied. Ballard (2) considered in 1994 that the appropriate level of accuracy for a Pre-feasibility Study was in the order of plus or minus 20%. The Author considers the level of accuracy of a Preliminary Pit Optimization Study to be similar to a Pre Feasibility Study and for this valuation has considered that it is appropriate to discount the operating profits of the McCrae study by at least 20% and to estimate a minimum valuation at a discount of 30%. The Author has also taken in to account recent fluctuations of the exchange rate between the US$ and the A$, and recent price trends for the quotation of gold price. For this valuation the Author has used the rate quoted by ABC television on 26th May 2006 (A$1 = US$0.75). With respect to gold in the current economic cycle it is not unreasonable to consider that gold will at least maintain its current price range and the Author considers that this valuation should utilize gold prices in the range US$550 to US$750 per ounce.

Table 8 shown below summarises the Author's valuation of the Eureka Gold Mine Project based on the assumptions mentioned above.

Table 8 - VALUATION MATRIX EUREKA GOLD MINE PROJECT			
US$ to A$ Exchange rate		0.75 (Quoted ABC TV 26th May 06)	
Discount on Preliminary pit opt study % (Ballard [2] level of accuracy = pre feasibility study)	20	25	30

Minecomp Pty Ltd Preliminary Optimization Study

Gold Price

A$	US$	Cumulative cash A$	Discount 20%	Discount 25%	Discount 30%
700	525	1,646,193	1316954	1234645	1152335
725	543.75	1,980,743	1584594	1485557	1386520
750	562.5	2,371,194	1896955	1778396	1659836
775	581.25	2,822,387	2257910	2116790	1975671
800	600	3,346,054	2676843	2509541	2342238
825	618.75	3,915,423	3132338	2936567	274096
850	637.5	4,496,196	3596957	3372147	3147337
875	656.25	5,076,968	4061574	3807726	3553878
900	675	5,706,119	4564895	4279589	3994283
925	693.75	6,357,613	5086090	4768210	4450329
950	712.5	7,026,963	5621570	5270222	4918874
975	731.25	7,708,007	6166406	5781005	5395605
1000	750	8,391,862	6713490	6293897	5874303

Valuation A$		Rounded
Low	1659836	**1,700,000**
Expected	4279589	**4,200,000**
High	6713490	**6,700,000**

In this valuation no consideration of value has been assigned by the Author for defining further mineralisation by exploration work. In the Authors' geological report several promising exploration targets have been discussed and chances of discovery should be considered as good for those targets should Intercoal conduct ongoing exploration of those priority areas.

4.5 VALUATION OF THE BRITISH KING GOLD MINE PROJECT - M37/0030 & MISCLA37/162

4.5.1 Method

A Net Present Value (NPV) has been estimated for the **British King Gold Mine Project** based on the results of a report [10] by Mining Engineer, Richard Johnson, in

1995 (Mr Johnson previously of JD Mining, has given permission for results of his reports to be incorporated in this valuation of the British King Gold Mine Project by the Author).

In the 1995 report Johnson found that over a one year mine life the project would pay back to breakeven, the then proposed purchase price of A$800,000. At that time the gold price in US$ was depressed at US$383 per ounce of gold. The exchange rate was similar to today's exchange rate at US$0.76 to A$1 (Current exchange rate US$0.75 to A$1 - Quoted ABC TV 26th May 2006).

To obtain a valuation of the British King Gold Mine Project the Author has applied the mining model as used by Johnson for the mining and processing of the Mineral Reserve as previously defined above the 75m level and has then applied current financial parameters (exchange rate with the US$ and gold price) to model the range of valuations given in this report. With respect to the financial parameters the Author has looked at the influence of a range of exchange rates and gold prices. With respect to exchange rates the Author has considered that a range of between US$0.70 to US$0.76 to A$1 would reflect the current exchange rate situation and with respect to gold the Author considers that in the current economic cycle it is not unreasonable to consider that gold will at least maintain its current price range and the Author considers that this valuation should utilize gold prices in the range US$550 to US$750 per ounce.

Table 9 below summerises the Authors valuation of the British King Gold Mine Project based on the assumptions mentioned above.

Table 9 - VALUATION MATRIX BRITISH KING GOLD MINE PROJECT

JD MINING CASH FLOW PROJECTION 1995 **-** RESERVES ABOVE 75 LEVEL	
Gold per ounce US$	383
US$ to A$ Exchange rate	0.76
Reserves (Breakeven) valued at (A$)	800,000
Value per ounce 1995 (A$)	504
Reserve ounces producing revenue	1587
Recovered gold in oz (12 month mine plan) (Balance of Reserve ounces to costs)	3642
Total quoted measured resource (ounces)	15400
Insitu Resource (all JORC categories)	94500
VALUE 2006	

VALUATION MATRIX				
RESOURCE ABOVE 75 LEVEL				
US$ to A$ Exchange rate @		0.7	0.73	0.76
	Au US$			
Gold per ounce US$ @	562.5	1275643.417	1223219.715	1174934.726
	675	1530772.1	1467863.657	1409921.671
	750	1700857.889	1630959.619	1566579.634

Valuation A$		Rounded
Low	1174935	**1,200,000**
Expected	1467864	**1,500,000**
High	1700858	**1,700,000**

In the valuation given above no consideration of value has been assigned by the Author for resources as defined in the inventory of mineral resources (see the Geological Report section of this report) that are not included in the 1995 mine plan.
The exploitation of those resources would require additional mine development and until an updated study of mining costs is carried out the Author declines from providing a valuation of those resources.

In the Authors' geological report exploration targets for additional resources have been discussed and chances of discovery should be considered as good for those targets should Intercoal conduct ongoing exploration of those priority areas.

LIST OF REFERENCES

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5 TECHNICAL GLOSSARY AND ABBREVIATIONS

Abbreviations:
Oz = ounce, km = kilometre, m = metre, t = tonne, g = gram ha = hectare, ppm = parts per million, ppb = parts per billion, > = greater than, RC = reverse circulation drilling, D_1 - D_2 - D_3 = phase of rock deformation, g/t = gram per tonne

Aeromagnetic:
Surveys flown by aircraft to measure the magnetic susceptibility of rocks at or near the earth's surface.

Amygdales:
Void space in lavas.

Andesite:
An intermediate volcanic rock.

Anticline:
Applied to strata, which dip in opposite directions from a common ridge or axis.

Archaean:
The oldest rocks of the Precambrian era, older than about 2,500 million years.

Arkose:
Sandstone of unsorted grain size in which more than 25% of the grains are feldspars.

Auger soil geochemistry:
The process of sub-surface soil sample collection using lightweight drilling equipment.

Alluvial:
Transported and deposited by water.

Alteration systems, Altered:
Zone within which rock-forming minerals have been chemically changed, the changed rock.

Au:
Chemical symbol for gold.

Banded Iron Formation (BIF):
A rock consisting of essentially iron oxides and cherty silica and possessing a marked banded appearance.

Basalt:
Basalt is an extrusive volcanic rock composed primarily of plagioclase feldspar, pyroxene and other mafic minerals.

Belt:
A general term applied to a group of rocks and or a group of mineral deposits within a district.

Bulk Leach Extractable, BLEG:
Bulk Leach Extractable Gold, a semiquantatative measure of cyanide extractable gold contained in a sample.

Carbonate:
Minerals containing calcium and or magnesium carbonate.

Chalcopyrite:
A mineral $CuFeS_2$ - copper pyrites, an important ore of copper.

Chargeability:
A measurement commonly used in time-domain induced polarisation measurement.

Clastics:
Pertaining to rocks or sediment composed principally of fragments derived from pre-existing rocks or minerals and transported some distance from their places of origin.

Conglomerate:
A cemented clastic rock containing rounded fragments corresponding in their grade sizes to gravel or pebbles.

Copper (Cu):
A base metal.

Craton:
A relatively large and stable block of the earth's surface

Crop Out / outcrop:
To be exposed at the surface; referring to rocks exposed at the surface.

Cu:
Chemical symbol for copper.

Cumulate:
An igneous rock formed by the accumulation of crystals that settle out from a magma by gravity.

Deposits:
An accumulation of potentially economic minerals.

Diamond Core Drilling:
Rotary drilling using diamond-impregnated bits, to produce a solid continuous core sample of the rock.

Dilatational:
A process of widening and pulling apart of an area of rock.

Disseminated:
Fine particles of the ore mineral dispersed through the enclosing rock.

Dolerite:
An intrusive igneous rock.

Drilling:
A method of obtaining sub surface rock samples using a rotary drill.
Dunite:
A peridotite consisting almost wholly of the mineral olivine.
Dykes:
Tabular intrusive bodies of igneous rock that cuts across bedding.
Eastern Goldfields:
That region of Western Australia centred on Kalgoorlie.
EM:
Geophysical survey technique - electro magnetic.
Faults:
A fracture in rocks on which there has been movement on one of the sides relative to the other.
Felsic:
Light coloured rocks containing an abundance of any of the following - feldspars, feldspathoids and silica
gabbro:
A coarse grained intrusive rock which is low in silica and has relatively high levels of iron and magnesium minerals.
g/t:
Grams per tonne.
Geochemical:
Prospecting techniques that measure the content of certain metals in soils sediments and rocks and define anomalies for further testing.
Geological:
Pertaining to the study of the earth.
Geophysical Survey:
The exploration of an area in which the geophysical properties and relationships unique to an area are mapped by various geophysical methods.
Gold:
A metal.
Gneiss:
A coarse grained, banded, high grade metamorphic rock
Gossan:
A ferruginous deposit remaining after the oxidation of the original sulphide minerals in a vein or in an ore zone.
Granitoids:
A general term to describe coarse grained felsic intrusive igneous rocks, resembling granite.
Grass-Roots:
Term given to early stage mineral exploration.
Greenstone:
Term given in regional context to lithologies characterised by greenschist facies metamorphism.
Ha:
Hectares.
Haematite:
A mineral Fe_2O_3 - the principal or of iron.
Induced Polarisation (IP):
A surface electrical technique of geophysical surveying.
Intercalated:
A sequence of differing rock layers.
Intrusions:
Bodies of igneous rocks that invade older rock.
Iron:
A metal.
komatiite:
A magnesium rich mafic to ultramafic extrusive rock
Km:
Kilometre(s).
Landsat:
An unmanned satellite designed to provide multi-spectral imagery of the earth's surface.
Lenses:
Bodies of rock thick in their centre and thin on their edges.
M:
Million.
Mafic:
Rocks composed dominantly of magnesium and iron rock forming minerals.
Magnetite:
An iron mineral that commonly exhibits magnetic properties
Meso-cumulate:
A cumulate rock containing a small quantity of interstitial material
Metamorphism:
The process of altering a rock by temperature and / or pressure.
Metallic:
Of or belonging to metals, containing metals, more particularly the metals that are the object of mining.
Metamorphosed Greenstones:
Rocks that have been changed by low grade metamorphic processes and generally have a green colour due to green metamorphic minerals.
Metavolcanics:
Term applied to volcanic rocks that have been altered by metamorphic processes.
Ni:
Chemical symbol for nickel.

Minerals:
Naturally occurring elements or compounds.
Natural Resources:
Resources provided by nature.
Olivine:
A magnesium iron silicate mineral
oz:
Troy ounces.
Panned Concentrate:
The particles of greatest specific gravity which are retained after washing and agitating soils, sediments or crushed rock in a "pan".
Peridotite:
A general term for intrusive ultramafic igneous rocks dominantly consisting of olivine and lacking feldspar
Plagioclase:
A mineral.
Porphyry:
An intrusive rock containing large crystals set in a finer groundmass
ppm:
Parts per million.
Prospecting:
To explore areas for the existence of valuable minerals.
Prospects:
A geologic anomaly or area of known mineralisation where further exploratory work is required to evaluate its economic potential.
Pyrite:
A mineral.
Pyrrhotite:
A mineral.
Quartz:
A mineral.
RAB Drilling:
Rotary air blast drilling
Regolith:
General name given to many materials, gravel, soil, clays that cover the bedrock
Residual:
Material remaining in place after processes of erosion has taken place.
Sandstone:
A medium grained sedimentary rock with a high content of quartz.
Sediments:
Rocks formed by transportation of particles by air water or ice.
Serpentinite:
Rocks consisting almost wholly of serpentine a hydrous magnesium silicate derived from the alteration of pre-existing olivine and pyroxene
Shale:
A fine-grained, clay rich laminated sedimentary rock.
Shear:
A planer zone of deformation.
Silicified:
Referring to rocks in which a significant proportion of the original constituent minerals have been replaced by silica.
Stockworking:
A solid mass of rock impregnated by small veins.
Stratabound:
Lying within a particular rock stratum.
Strike:
The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Structure, Structures:
The general disposition, attitude, arrangement or relative positions of rock masses in a region or area, also applied to faults.
Sulphidation:
Term applied to the amount of sulphur within a mineral and alteration system.
Sulphide:
A group of minerals in which one or more metals is found in combination with sulphur.
Tectonic:
Relating to structural features.
Textures:
Geometrical aspects of the component particles of a rock, including size, shape and arrangement.
Thrust:
A reverse fault characterised by a low angle of inclination with reference to the horizontal plane.
Tuff:
A pyroclastic rock
TEM:
Geophysical survey technique **-** transient electro magnetic.
Unconformable:
Where a time break in rock deposition or formation has occurred.
Ultramafic:
Igneous rocks consisting essentially of ferro-magnesium minerals with trace quartz and feldspar
Volcanic Flow Rock
Extrusive volcanic rock.
Volcanics:
General term given to rocks of volcanic origin.