



**AUMML**  
Australia United Mining Limited

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# **Notice of Annual General Meeting**

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# **Explanatory Memorandum**

For the Meeting of Members to be held at  
Suite 1204, 227 Elizabeth Street, Sydney NSW 2000 at 1000 hours (AEDT), Wednesday, 20 November 2019.

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**Australia United Mining Limited**  
ACN 126 540 547

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the annual general meeting of Shareholders of Australia United Mining Limited (ASX: AYM) will be held at Suite 1204, 227 Elizabeth Street, Sydney NSW 2000 on Wednesday, 20 November 2019 at 1000 hours (AEDT) (**Meeting**).

The Explanatory Memorandum provides additional information on the business of the Meeting. The Explanatory Memorandum and the Proxy Forms are included in this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company at 1000 hours on Monday, 18 November 2019.

**Capitalised terms and abbreviations used in the Notice are defined in Schedule 1.**

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### **Business**

#### **ITEM 1. Company Financial Report**

To receive the financial statements, Directors' report and auditor's report for the Company and its controlled entities for the financial year ended 30 June 2019.

#### **ITEM 2. Remuneration Report\***

To consider and if thought fit, pass the following resolution as an **ordinary resolution**:

*"That the Remuneration Report of Company and its controlled entities for the financial year ended 30 June 2019 as set out in the Annual Report be adopted."*

\*Note: this resolution is advisory only and does not bind the Company or the Directors. The Directors will consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the Company's remuneration policies. Restrictions on eligibility to vote apply pursuant to Section 250R.

#### **ITEM 3 Re-election of Director – Xiaojing WANG**

To consider and if thought fit, pass the following as an **ordinary resolution**:

*"That the following individual, having retired from his office as a Director pursuant to Article 59.1 of the Constitution, be re-elected as a Director pursuant to the Constitution:*

- 1) *Xiaojing WANG."*

#### **ITEM 4 Election of Director – Xinhua GENG**

To consider and if thought fit, pass the following as an **ordinary resolution**:

*"That Mr. Xinhua GENG, having been appointed as a Director since the last Annual General Meeting and having retired from his office as a Director pursuant to Article 59.1 of the Constitution, be re-elected as a Director."*

#### **ITEM 5 Additional capacity to issue equity securities**

To consider and if thought fit, pass the following as a **special resolution**:

*"That, pursuant to ASX Listing Rule 7.1A, the Company have additional capacity to issue a further 10% of its issued share capital over and above the 15% placement capacity specified in ASX Listing Rule 7.1."*

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**Australia United Mining Limited**  
ACN 126 540 547

## **Explanatory Memorandum**

### **A. Introductions**

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This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the annual general meeting of Shareholders to be held on at Suite 1204, 227 Elizabeth Street, Sydney NSW 2000 on Wednesday, 20 November 2019 at 1000 hours (AEDT).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

**Capitalised terms and abbreviations used in the Explanatory Memorandum are defined in Schedule 1.**

A Proxy Form is located at the end of the Explanatory Memorandum.

The Resolutions, if passed will have an impact on the Company. This Explanatory Memorandum provides the information considered necessary for Shareholders to make an informed decision whether to support the Resolutions. However it is also appropriate that shareholders consider the impact on the Company in the event that the Resolution(s) is/are passed.

### **B. Voting at the Meeting**

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Shareholders should read the Notice, including the Explanatory Memorandum carefully before deciding how to vote on each Resolution.

#### Votes by proxy

- (a) a member of the Company entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote at the general meeting on that member's behalf;
- (b) A proxy needs not be a member of the Company;
- (c) If a member appoints one proxy, that proxy may, subject to the Corporations Act, vote on a show of hands;
- (d) If a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes;
- (e) A proxy may demand or join in demanding a poll;
- (f) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
  - a. The proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
  - b. If the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
  - c. If the proxy is the chair – the proxy must vote on a poll and must vote that way; and
  - d. If the proxy is not the chair – the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.
- (g) If:
  - a. A member nominates the chairperson of the meeting as the proxy; or

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- b. The chairperson is to act as proxy under Article 51 of the Constitution or otherwise under a default appointment according to the terms of the proxy form,

Then the person acting as chairperson in respect of an item of business at the meeting must act as proxy under the appointment in respect of that item of the business.

#### The proxy form

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a proxy) to vote in their place.

All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon.

Lodgement of a proxy form will not preclude a Shareholder from attending the Meeting in person.

The enclosed Proxy Form provides further details on appointing proxies and Proxy Form lodgement.

### **ITEM 1. Financial Report**

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The financial statements, Directors' report and auditor's report for ASX for the year ended 30 June 2019 will be laid before the meeting.

There is no requirement for shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for shareholders to ask questions about, or make comments on, the operations and management of the Company.

Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the content of the auditor's report.

#### BOARD RECOMMENDATION

The board of directors recommends that you vote in favour of this item.

### **ITEM 2. Remuneration Report**

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Section 317(1) of the Act requires the Company's financial report, Director's report and the auditor's report for the financial year ended 30 June 2019 to be laid before the Meeting.

There is no requirement for a formal resolution on this item.

The Annual Report, which contains the Directors' Report, the Financial Report and the Remuneration Report, is available on the Company's website (<http://australiaunitedmining.com.au/>) and ASX's website

(<https://www.asx.com.au/asx/statistics/announcements.do?by=asxCode&asxCode=AYM&timeframe=Y&year=2019>).

#### Voting exclusion:

In accordance with section 250R(4) of the Act, a vote on this resolution must not be cast (in any capacity, whether as proxy or as shareholders) by or on behalf of either of the following persons:

- (a) a member of the key management personnel details of whose remuneration are included in the remuneration report;
- (b) a closely related party of such a member.

However, the above persons may cast a vote on this resolution if:

- (c) the person does so as a proxy appointed in accordance with the directions of the proxy form that specifies how the proxy is to vote on this resolution; and the vote is not cast on behalf a person described in subparagraph (a) and (b) above; or

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(d) the person is the chair of the meeting appointed as proxy in accordance with the directions of the proxy form for a person

who is entitled to vote and such appointment on the proxy form expressly authorise the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is cast on behalf of a person described in subparagraph (a) and (b) above.

#### **BOARD RECOMMENDATION**

The board of directors recommends that you vote in favour of this item.

#### **ITEM 3 Re-election of Director – Xiaojing WANG**

Article 59.1 of the Constitution requires two (2) Directors to retire at the close of each Annual General Meeting.

Accordingly, Mr. Wang retires from his office as Director in accordance with Article 59.1 of the Constitution and, being eligible under Article 59.5 of the Constitution, offers himself for re-election as Director.

Please refer to the 2019 Annual Report for information about Mr Wang.

Aged 56.

#### **BOARD RECOMMENDATION**

The board of directors recommends that you vote in favour of this item.

#### **ITEM 4. Election of Director – Xinhua GENG**

Mr. Xinhua GENG was appointed a Director of the Company on 8 March 2019.

Article 59.1 of the Constitution requires two (2) Directors to retire at the close of each Annual General Meeting.

Accordingly, Mr. Geng retires from his office as Director in accordance with Article 59.1 of the Constitution and, being eligible under Article 59.5 of the Constitution, offers himself for re-election as Director.

Mr. Geng has been successively working in Shandong Huimin Foreign Trade Company, Beijing Chuangshi Jiaye Advertising Co., Ltd, Shanghai Furun Investment Management Center and Shandong Gold Pty Ltd. In the years of employment, he has accumulated rich management and investment experience, and he has made achievements in foreign trade, mining, finance, etc. He also has extensive contacts and keen market insight.

Aged 61.

#### **BOARD RECOMMENDATION**

The board of directors recommends that you vote in favour of this item.

#### **ITEM 5. Additional capacity to issue equity securities**

##### **Introduction**

ASX Listing Rule 7.1A was introduced in 2012 and enables eligible entities (those which are not included in the S&P/ASX300 index and which have a market capitalisation equal to or less than \$300 million) to issue up to a further 10% of their issued share capital, over and above the 15% placement capacity specified in ASX Listing Rule 7.1.

The Company is an eligible entity as it is not included in the S&P/AX 300 index and has a current market capitalisation that is below \$300 million.

The Company had not issued any securities under listing rule 7.1A in the 12 months preceding the Meeting.

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Any securities issued must be in the same class as an existing class of quoted securities. The Company currently has 1 class of securities on issue, being the shares (ASX: AYM).

The exact number of additional securities that the Company may issue with the passage of the resolution pursuant to Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A.** Is the number of shares on issue 12 months before the date of issue or agreement:
- 1) Plus the number of shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - 2) Plus the number of partly paid shares that became fully paid in the previous 12 months;
  - 3) Plus the number of shares issued in the previous 12 months with approval of Shareholders under Listing Rules 7.1 and 7.4 and not including issues of securities under the Company's 15% placement capacity without Shareholder's approval; and
  - 4) Less the number of shares cancelled in the previous 12 months.
- D.** Is 10%
- E.** Is the number of securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under ASX Listing Rule 7.1 or 7.4.

The resolution is proposed as an approval at large for the purpose of allowing the Company to have an additional mean of raising capitals in the subsequent 12 months only. Pursuant to ASX Listing Rule 7.1A.1, an approval of this resolution allows the Company to have the option of issuing additional securities in the 12 months calculated from the date of the Meeting.

The benefit of being able to issue additional securities is that, before the capacity is raised, the Company would only able to issue up to 15% of its issued capital on a non-pro-rata basis without shareholder approval in any rolling 12 month period; after the passage of the resolution, the Company shall be allowed to issue an additional 10% of its issued capital, bringing its total head-room or placement capacity to 25%. Passing the said resolution will improve the Company's access to capital and funding, especially considering its narrow range of shareholders and the limited usefulness of pro-rata rights issues as a fundraising tool. Further, with speculative investments, the ability to return regularly to shareholders for further injections of capital on a pro-rata basis can also be limited. As such, placements are a very common and crucial source of capital for companies fitting the Company's profile.

At the moment, the Company does not have any plan nor has contemplated any specific parties to whom such additional securities shall be issued. Should the Company formulates or intends to make such issues, the Shareholders shall be duly notified of the following:

- 1) The proposed date of such issue(s);
- 2) The purpose(s) of such issue(s);
- 3) If any of the issue(s) is for non-cash consideration; as well as
- 4) The Company's allocation policies in relation to any such issue(s).

#### **Issuance of new securities and its effect(s)**

Notwithstanding the Company not having any specific intentions at the moment to issue additional securities, if the Company does intend to do so, such securities shall be issued with a minimum price calculated by reference to 75% of the volume weighted average price of the Company's securities of the relevant class, calculated over 15 ASX trading days on which trades in that class were recorded immediately before:

- 1) The date on which the price at which the securities are to be issued is agreed; or
- 2) If the securities are not issued within 5 ASX trading days of the date in the previous paragraph, the date on which the securities are issued.

Further, should new securities be issued, the Shareholders need to be advised that their voting powers will decrease (explained in paragraph a below) and there is a risk for the values of the Company's shares to decrease significantly (explained in paragraph b below). Whereas these risks exist whenever new securities are issued, the passage of the resolution has the ability to magnify the risks as the Company shall be able to issue 10% more securities than it would ordinarily issue.

(a) Dilution of voting power

Shareholders need to be advised that any issue of additional securities will dilute the interests of existing Shareholders who do not receive any shares under the issue.

If the resolution is approved and passed by the Shareholders and the Company issues the maximum\_number of shares it is able to issue, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of the Company's shares and the current number of the Company shares on issue as at the date of this Notice of Meeting.

The table also shows the voting dilution impact where the number of shares on issue (variable A\_in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued pursuant to the passage of the resolution.<sup>1</sup>

Number of shares on issue	Issue price (per Share)	Dilution		
		\$0.0005 50% decrease in Issued price	\$0.001 Issued price	\$0.0015 50% increase in Issued price
1,842,577,485 (Variable A*)	10% of voting dilution	184,257,749 Shares	184,257,749 Shares	184,257,749 Shares
	Funds raised	\$92,128.87	\$184,257.75	\$276,386.62
2,763,866,228 (50 increase in Variable A*)	10% of voting dilution	276,386,623 Shares	276,386,623 Shares	276,386,623 Shares
	Funds raised	\$138,193.31	\$276,386.62	\$414,579.93
3,685,154,970 (100% increase in Variable A*)	10% of voting dilution	368,515,497 Shares	368,515,497 Shares	368,515,497 Shares
	Funds raised	\$184,257.75	\$368,515.50	\$552,773.25

Figure 1

*\*Variable A represents the current number of Shares on issue. Variable A could increase as a result of the issue of Shares that do not require Shareholder approval, the issue of Shares with Shareholder approval under ASX Listing Rule 7.1.*

Figure 1 adopts the following assumptions:

- 1) There are 1,842,577,485 shares on issue;
- 2) The 10% voting dilution reflects the aggregate dilution against Variable A at the time of issue.
- 3) The Company issues the maximum possible number of securities pursuant with the passage of the resolution.
- 4) The Company has not issued any securities in the 12 months prior to the Meeting.

<sup>1</sup> Shareholders should be advised that number of shares on issue (variable A in the formula) could increase as a result of the issue of shares that do not require Shareholder approval (such as under a pro-rata rights issue or those issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.



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- 5) The calculations in Figure 1 do not show the dilution that any one particular shareholder will be subjected to. All shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

(b) Risk of decreased share value

Shareholders should be advised that market price for the Company's shares may be significantly lower on the issue date than on the date of the Meeting as a result of the market's expectations.

Shareholders should also be advised that shares may be issued at a price that is at a discount to the market price for those shares on the date of issue.

**Approval to issue additional securities may cease to be valid**

Notwithstanding the passage of the resolution, ASX Listing Rule 7.1A.1 nevertheless sets out that the approval to issue additional securities must be for a period commencing on the date of the annual general meeting at which the approval is obtained and expiring on the first to occur of the following:

- 1) The date that is 12 months after the date of the annual general meeting at which the approval is obtained.
- 2) The date of the approval by holders of the eligible entity's ordinary securities of a transaction under rule 11.1.2 or rule 11.2.

Rule 11.1.2 events refer to the approval by Shareholders of significant changes (directly or indirectly) to the nature or scale of the Company's activities in a meeting.

Rule 11.2 events refer to the approval by Shareholders for the Company to dispose of its main undertakings in a meeting.

**Purpose of issue**

The Company may issue securities pursuant to the resolution for the following purposes:

- 1) As cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including associated expenses), continued project management expenditures and general working capital; or
- 2) As non-cash consideration for the acquisition of new resource assets and investment, for which the Company shall provide valuations for such non-cash consideration.

**Allocation policy**

The Company's allocation policy for the issue of additional securities pursuant to the resolution will be determined by the prevailing market conditions at the time of such proposed placement(s) and/or issues.

The allottees of the securities for such additional securities have not been determined at present. However, the allottees of such securities could consist of current Shareholders or new investors or both, none of whom will be related parties of the Company unless specifically approved.

The Company shall determine the allottees at the time of the issue of such additional securities, having regard to the following factors:

- 1) The purpose of the issue;
- 2) Alternative methods for raising funds available to the Company at the time, including but not limited to any entitlement to issue or other offers where existing Shareholders may participate;
- 3) The effect of the issue on the control of the Company;
- 4) The circumstances of the Company, including but not limited to the financial position and solvency of the Company;

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- 5) Prevailing market conditions; and
  - 6) Any advice from any advisers if applicable.

#### **ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues additional securities pursuant to the resolution, it will give to ASX:

- 1) a list of the allottees of the securities and the number of securities allotted to each allottee in accordance with ASX Listing Rule 7.1A.4; and
- 2) the information required by the ASX Listing Rule 3.10.5A for release to the market.

#### Voting exclusion:

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes in favour of the resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit<sup>2</sup> as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company)<sup>3</sup>

However, the Company need not disregard a vote if:

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

#### BOARD RECOMMENDATION

The board of directors recommends that you vote in favour of this item.

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<sup>2</sup> The words "a person who may participate in the proposed issue" require more than the mere possibility that the person will participate in the proposed issue. For a person's vote to be excluded in these circumstances, it must be known that that person will participate in the proposed issue. At the moment, The Company does not have specific intentions to issue any additional securities notwithstanding the increased capacity.

<sup>3</sup> Pursuant to footnote 1 and the Company's non-intention to issue additional securities, Shareholders must consider the proposed resolution on the basis that the person whose vote shall be excluded may or may not get a benefit and that it is possible that their holding will be diluted.

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**Australia United Mining Limited**  
ACN 126 540 547

**Schedule 1 – Definitions**

In the Notice of Meeting, words importing the singular include the plural and vice versa.

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

**Annual Report** means the report for the financial year ended on 30 June 2019 that is available at <https://www.asx.com.au/asxpdf/20190930/pdf/44900zc6n1z3l8.pdf>.

**ASX** means the ASX Limited (ABN 98 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited;

**Company** means Australia United Mining Limited ACN 126 540 547 (ASX: AYM);

**Constitution** means the constitution of the Company as at the date of the Meeting;

**Director** means a director of the Company;

**Explanatory Memorandum** means the explanatory memorandum attached to the Notice of Meeting;

**Meeting** means the meeting the subject of the Notice of Meeting;

**Notice of Meeting** means this notice of meeting dated 18 October 2019;

**Proxy Form** means the proxy form attached to this Notice of Meeting;

**Resolution** means a Resolution contained in this Notice of Meeting;

**Shares** means shares of the Company.