



**CARBINE RESOURCES**  
LIMITED

ACN 122 976 818

**NOTICE OF GENERAL MEETING**

**The General Meeting of the Company will be held at Suite 23,  
513 Hay Street, Subiaco, Western Australia on Friday 14  
November 2014 at 11.00 am (WST)**

*The Notice of General Meeting should be read in its 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.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) [6142 0986].*

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

# CARBINE RESOURCES LIMITED

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## NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of Shareholders of Carbine Resources Limited (**Company**) will be held at Suite 23, 513 Hay Street, Subiaco, Western Australia on Friday 14 November 2014 at 11.00 am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the 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 on Wednesday 12 November 2014 at 5:00pm (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

## AGENDA

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### 1. Resolution 1 - Issue of Options to Mr Patrick Walta as a Director

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

*"That pursuant to and in accordance with ASX Listing Rule 10.11 and for all other purposes, Shareholders authorise and approve the grant of 2,500,000 Tranche A Options and 2,500,000 Tranche B Options to Mr Patrick Walta (or his nominee) on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

#### Voting Exclusion and Prohibition

The Company will disregard any votes cast on this resolution by Mr Patrick Walta and any of his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

- (c) the appointment specifies the way the proxy is to vote on this Resolution; or
- (d) the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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## **2. Resolution 2 - Issue of Options to Mr Evan Cranston as a Director**

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

*"That pursuant to and in accordance with ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve the grant of 2,500,000 Tranche A Options and 2,500,000 Tranche B Options to Mr Evan Cranston (or his nominee) on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

### **Voting Exclusion and Prohibition**

The Company will disregard any votes cast on this resolution by Mr Evan Cranston and any of his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

- (c) the appointment specifies the way the proxy is to vote on this Resolution; or
- (d) the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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## **3. Resolution 3 - Issue of Options to Mr Thomas Bahen as a Director**

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

*"That pursuant to and in accordance with ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve the grant of 2,500,000 Tranche A Options and 2,500,000 Tranche B Options to Mr Thomas Bahen (or his nominee) on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

### **Voting Exclusion and Prohibition**

The Company will disregard any votes cast on this resolution by Mr Thomas Bahen and any of his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

- (c) the appointment specifies the way the proxy is to vote on this Resolution; or

- (d) the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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#### **4. Resolution 4 - Re-approval of existing Employee Share Option Plan**

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

*"That pursuant to and in accordance with Exception 9(b) in ASX Listing Rule 7.2 and for all other purposes, the Shareholders approve the issue of securities under the Company's existing Employee Share Option Plan as detailed in the Explanatory Memorandum accompanying this Notice."*

##### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

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#### **5. Resolution 5 - Section 195 Approval**

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

*"That, for the purposes of section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to complete the transactions as contemplated in this Notice."*

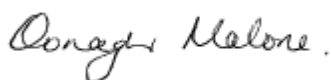
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#### **6. Resolution 6 - Alteration to Constitution - Re-insertion of Proportional Takeover Provisions**

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

*"That pursuant to sections 136(2) and 648G of the Corporations Act, the Company's Constitution be altered by re-inserting Article 4.5(e) and Schedule 5 in the form set out in the Explanatory Notes accompanying this Notice."*

**BY ORDER OF THE BOARD**



Oonagh Malone  
Company Secretary  
Dated: 14 October 2014

# CARBINE RESOURCES LIMITED

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 23, 513 Hay Street, Subiaco, Western Australia on Friday 14 November 2014 at 11.00 am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Resolution 1 - Issue of Options to Mr Patrick Walta as a Director
Section 4:	Resolution 2 - Issue of Options to Mr Evan Cranston as a Director
Section 5:	Resolution 3 - Issue of Options to Mr Thomas Bahen as a Director
Section 6:	Resolution 4 - Re-approval of existing Employee Share Option Plan
Section 7:	Resolution 5 - Section 195 Approval
Section 8:	Resolution 6 - Alteration to Constitution - Re-insertion of Proportional Takeover Provisions
Schedule 1:	Definitions
Schedule 2:	Terms and Conditions of the Director Options

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

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### 2. Action to be taken by Shareholders

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

#### 2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (**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 and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;

- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

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

## **2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)**

In accordance with section 250BD of the Corporations Act, a vote on Resolutions 1 to 3 (inclusive) must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolutions 1 to 3 (inclusive) if the vote is not cast on behalf of a person who is excluded from voting on Resolutions 1 to 3 (inclusive) and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution, but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

The Chairman intends to exercise all available proxies in favour of each resolution.

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## **3. Resolution 1 - Issue of Options to Mr Patrick Walta as a Director**

### **3.1 General**

Resolution 1 seeks Shareholder approval in accordance with Listing Rule 10.11 for the grant of 5,000,000 Options to Mr Walta, an Executive Director (or his nominee).

The purpose of the grant of the Options to Mr Walta is for the Company to retain directors of high calibre and to provide cost effective remuneration to Mr Walta for his ongoing commitment and contribution to the Company in his role as an Executive Director.

The Board, other than Mr Walta, does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed. If the Options are not granted, the Company could remunerate Mr Walta with additional amounts of cash. However, the Board, other than Mr Walta, considers it reasonable for the remuneration of Mr Walta to have a cash component in addition to an equity component to further align Mr Walta's interests with Shareholders and maintain a strong cash position for the Company.

Resolution 1 is an ordinary resolution.

The Chairman will cast all available proxies in favour of Resolution 1.

### **3.2 Section 208 of the Corporations Act**

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of

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

The Board, other than Mr Walta, has formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the proposed issue of the Options as the exception in section 211 of the Corporations Act applies. The Options are being issued in lieu of a portion of directors' fees payable to Mr Walta and are considered to be reasonable remuneration for the purposes of section 211 of the Corporations Act.

### **3.3 Listing Rule 10.11**

Pursuant to Listing Rule 10.11, a related party of a listed company is precluded from participating in any issue of securities in the company without the prior approval of shareholders.

Mr Walta is regarded as a related party of the Company by reason of his position as an Executive Director.

The effect of passing Resolution 1 will be to allow the Company to grant a maximum of 5,000,000 Options in total to Mr Walta (or his nominee) within one (1) month after the Meeting (or a longer period, if permitted by ASX) without breaching Listing Rule 10.11 or using up the Company's 15% placement capacity under Listing Rule 7.1.

As Shareholder approval is being sought under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

### **3.4 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11:

- (a) The Options will be granted to Mr Walta (or his nominee).
- (b) The maximum number of Options to be granted under Resolution 1 is 5,000,000, divided into the following tranches:
  - (i) 2,500,000 Tranche A Options; and
  - (ii) 2,500,000 Tranche B Options.
- (c) The Company will grant the Options no later than one (1) month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) Each Tranche A Option entitles the holder to subscribe for one (1) Share at an exercise price of 143% of the volume weighted average price (VWAP) of the Company's Shares on ASX calculated over the five (5) Trading Days immediately before the date of grant.
- (e) Each Tranche B Option entitles the holder to subscribe for one (1) Share at the higher exercise price of:
  - (i) 10 cents per Share; or
  - (ii) 200% of the VWAP of the Company's Shares on ASX calculated over the five (5) Trading Days immediately before the date of grant.
- (f) Each Option will have an issue price of nil.
- (g) Upon exercise of the Options, the Shares issued will rank pari passu with the Company's existing Shares on issue. Further terms and conditions of the Options are in Schedule 2.
- (h) Each Option will have an expiry date three (3) years after the date of grant.
- (i) A voting exclusion statement is included for Resolution 1 in the Notice.

- (j) No funds will be raised by the grant of the Options as each Option is being granted for nil consideration.
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## **4. Resolution 2 - Issue of Options to Mr Evan Cranston as a Director**

### **4.1 General**

Resolution 2 seeks Shareholder approval in accordance with Listing Rule 10.11 and Chapter 2E of the Corporations Act for the grant of 5,000,000 Options to Mr Cranston, a Non-Executive Director (or his nominee).

The purpose of the grant of the Options to Mr Cranston is for the Company to retain directors of high calibre and to provide cost effective remuneration to Mr Cranston for his ongoing commitment and contribution to the Company in his role as a Non-Executive Director.

The Board, other than Mr Cranston, does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed. If the Options are not granted, the Company could remunerate Mr Cranston with additional amounts of cash. However, the Board, other than Mr Cranston, considers it reasonable for the remuneration of Mr Cranston to have a cash component in addition to an equity component to further align Mr Cranston's interests with Shareholders and maintain a strong cash position for the Company.

The Company acknowledges that the grant of the Options to non-executive Directors is contrary to recommendation 8.2 of the Corporate Governance Principles and Recommendations. However, the Board, other than Mr Cranston, considers the grant of the Options to Mr Cranston to be reasonable in the circumstances given the Company's size, stage of development, and the need to attract and retain directors of high calibre whilst still maintaining a cash reserve.

Resolution 2 is an ordinary resolution.

The Chairman will cast all available proxies in favour of Resolution 2.

### **4.2 Listing Rule 10.11 and Section 208 of the Corporations Act**

Pursuant to Listing Rule 10.11, a related party of a listed company is precluded from participating in any issue of securities in the company without the prior approval of shareholders.

Pursuant to section 208 of the Corporations Act, a listed company must obtain shareholder approval before giving a financial benefit to a related party.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of a public company and former directors of a public company.

A "financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Mr Cranston is regarded as a related party of the Company by reason of his position as a Director.

The effect of passing Resolution 2 will be to allow the Company to grant a maximum of 5,000,000 Options in total to Mr Cranston (or his nominee) within one (1) month after the Meeting (or a longer period, if permitted by ASX) without breaching Listing Rule 10.11 or using up the Company's 15% placement capacity under Listing Rule 7.1.



As Shareholder approval is being sought under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

#### **4.3 Specific information required by Listing Rule 10.13 and section 219 of the Corporations Act**

Listing Rule 10.13 and section 219 of the Corporations Act require that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act:

- (a) The Options will be granted to Mr Cranston (or his nominee).
- (b) The maximum number of Options to be granted under Resolution 2 is 5,000,000, divided into the following tranches:
  - (i) 2,500,000 Tranche A Options; and
  - (ii) 2,500,000 Tranche B Options.
- (c) The Company will grant the Options no later than one (1) month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) Each Tranche A Option entitles the holder to subscribe for one (1) Share at an exercise price of 143% of the volume weighted average price (VWAP) of the Company's Shares on ASX calculated over the five (5) Trading Days immediately before the date of grant.
- (e) Each Tranche B Option entitles the holder to subscribe for one (1) Share at the higher exercise price of:
  - (i) 10 cents per Share; or
  - (ii) 200% of the VWAP of the Company's Shares on ASX calculated over the five (5) Trading Days immediately before the date of grant.
- (f) Each Option will have an issue price of nil.
- (g) Upon exercise of the Options, the Shares issued will rank pari passu with the Company's existing Shares on issue. Further terms and conditions of the Options are in Schedule 2.
- (h) Each Option will have an expiry date three (3) years after the date of grant.
- (i) A voting exclusion statement is included for Resolution 2 in the Notice.
- (j) No funds will be raised by the grant of the Options as each Option is being granted for nil consideration.
- (k) Mr Cranston has an interest in Resolution 2 and therefore believes it inappropriate to make a recommendation. The other Directors each recommend the grant of the 5,000,000 Options to Mr Cranston as it aligns the interests of the Company and Mr Cranston to maximise Shareholder value.
- (l) On the basis of the assumptions set out at paragraph (n) below, the Company has determined the technical value of:
  - (i) one (1) Tranche A Option approximates \$0.01226. This valuation imputes a total value of \$30,650 to the Tranche A Options.
  - (ii) one (1) Tranche B Option approximates \$0.00778. This valuation imputes a total value of \$19,450 to the Tranche B Options.
- (m) The above valuations impute a total value of \$50,100 to the Options being granted pursuant to Resolution 2.

- (n) These values may go up or down after the date of grant as it will depend on the future price of a Share. Black & Scholes methodology has been used, together with the following assumptions:
- (i) interest rate set at 2.565%;
  - (ii) the date of valuation for the purposes of settling the current market value of a Share is 14 October 2014;
  - (iii) at this date the Share price was \$0.039 which is the price used in the valuation;
  - (iv) the estimated volatility used in the valuation is 72%;
  - (v) a discount of 20% for illiquidity; and
  - (vi) for the purposes of the valuation, the Company is not expected to pay a dividend during the life of the Options.
- (o) Mr Cranston holds 1,000,000 options in the Company (either directly or indirectly).
- (p) The remuneration and emoluments from the Company to Mr Cranston for the current financial year ending 31 December 2014 is expected to be \$54,738 (including superannuation). The remuneration and emoluments from the Company to Mr Cranston for the previous financial year ending 31 December 2013 was \$54,500 (including superannuation).
- (q) If Shareholders approve the grant of the Options, the exercise of those Options will result in a dilution of all other Shareholders' holdings in the Company of:
- (i) 3.448% based on issued Shares as at the date of this Notice;
  - (ii) 3.067% on a fully diluted basis (including the Options issued to Messrs Walta and Bahen under Resolutions 1 and 3).
- (r) The market price for Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at any time any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.
- (s) As at the date of this Notice the Share price of the Shares are trading on ASX lower than the exercise price of the Options.
- (t) Historical share price information for the last three (3) months is as follows:
- |         | Price   | Date            |
|---------|---------|-----------------|
| Highest | \$0.051 | 18 August 2014  |
| Lowest  | \$0.030 | 15 July 2014    |
| Last    | \$0.039 | 14 October 2014 |
- (u) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 2.
- (v) The Chairman will cast all available proxies in favour of Resolution 2.

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## **5. Resolution 3 - Issue of Options to Mr Thomas Bahen as a Director**

### **5.1 General**

Resolution 3 seeks Shareholder approval in accordance with Listing Rule 10.11 and Chapter 2E of the Corporations Act for the grant of 5,000,000 Options to Mr Bahen, a Non-Executive Director (or his nominee).

The purpose of the grant of the Options to Mr Bahen is for the Company to retain directors of high calibre and to provide cost effective remuneration to Mr Bahen for his ongoing commitment and contribution to the Company in his role as a Non-Executive Director.

The Board, other than Mr Bahen, does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed. If the Options are not granted, the Company could remunerate Mr Bahen with additional amounts of cash. However, the Board, other than Mr Bahen, considers it reasonable for the remuneration of Mr Bahen to have a cash component in addition to an equity component to further align Mr Bahen's interests with Shareholders and maintain a strong cash position for the Company.

The Company acknowledges that the grant of the Options to non-executive Directors is contrary to recommendation 8.2 of the Corporate Governance Principles and Recommendations. However, the Board, other than Mr Bahen, considers the grant of the Options to Mr Bahen to be reasonable in the circumstances given the Company's size, stage of development, and the need to attract and retain directors of high calibre whilst still maintaining a cash reserve.

Resolution 3 is an ordinary resolution.

The Chairman will cast all available proxies in favour of Resolution 3.

### **5.2 Listing Rule 10.11 and Section 208 of the Corporations Act**

Pursuant to Listing Rule 10.11, a related party of a listed company is precluded from participating in any issue of securities in the company without the prior approval of shareholders.

Pursuant to section 208 of the Corporations Act, a listed company must obtain shareholder approval before giving a financial benefit to a related party.

A summary of ASX Listing Rule 10.11 and section 208 of the Corporations Act is set out in Section 4.2 of the Explanatory Memorandum above.

Mr Bahen is regarded as a related party of the Company by reason of his position as a Director.

The effect of passing Resolution 3 will be to allow the Company to grant a maximum of 5,000,000 Options in total to Mr Bahen (or his nominee) within one (1) month after the Meeting (or a longer period, if permitted by ASX) without breaching Listing Rule 10.11 or using up the Company's 15% placement capacity under Listing Rule 7.1.

As Shareholder approval is being sought under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

### **5.3 Specific information required by Listing Rule 10.13 and section 219 of the Corporations Act**

Listing Rule 10.13 and section 219 of the Corporations Act require that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act:

- (a) The Options will be granted to Mr Bahen (or his nominee).

- (b) The maximum number of Options to be granted under Resolution 3 is 5,000,000, divided into the following tranches:
  - (i) 2,500,000 Tranche A Options; and
  - (ii) 2,500,000 Tranche B Options.
- (c) The Company will grant the Options no later than one (1) month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) Each Tranche A Option entitles the holder to subscribe for one (1) Share at an exercise price of 143% of the volume weighted average price (**VWAP**) of the Company's Shares on ASX calculated over the five (5) Trading Days immediately before the date of grant.
- (e) Each Tranche B Option entitles the holder to subscribe for one (1) Share at the higher exercise price of:
  - (i) 10 cents per Share; or
  - (ii) 200% of the VWAP of the Company's Shares on ASX calculated over the five (5) Trading Days immediately before the date of grant.
- (f) Each Option will have an issue price of nil.
- (g) Upon exercise of the Options, the Shares issued will rank pari passu with the Company's existing Shares on issue. Further terms and conditions of the Options are in Schedule 2.
- (h) Each Option will have an expiry date three (3) years after the date of grant.
- (i) A voting exclusion statement is included for Resolution 3 in the Notice.
- (j) No funds will be raised by the grant of the Options as each Option is being granted for nil consideration.
- (k) Mr Bahen has an interest in Resolution 3 and therefore believes it inappropriate to make a recommendation. The other Directors each recommend the grant of the 5,000,000 Options to Mr Bahen as it aligns the interests of the Company and Mr Bahen to maximise Shareholder value.
- (l) On the basis of the assumptions set out at paragraph (n) below, the Company has determined the technical value of:
  - (i) one (1) Tranche A Option approximates \$0.01226. This valuation imputes a total value of \$30,650 to the Tranche A Options.
  - (ii) one (1) Tranche B Option approximates \$0.00778. This valuation imputes a total value of \$19,450 to the Tranche B Options.
- (m) The above valuations impute a total value of \$50,100 to the Options being granted pursuant to Resolution 3.
- (n) These values may go up or down after the date of grant as it will depend on the future price of a Share. Black & Scholes methodology has been used, together with the following assumptions:
  - (i) interest rate set at 2.565%;
  - (ii) the date of valuation for the purposes of settling the current market value of a Share is 14 October 2014;
  - (iii) at this date the Share price was \$0.039 which is the price used in the valuation;
  - (iv) the estimated volatility used in the valuation is 72%;
  - (v) a discount of 20% for illiquidity; and

- (vi) for the purposes of the valuation, the Company is not expected to pay a dividend during the life of the Options.
- (o) Mr Bahen holds 2,422,799 Shares in the Company (either directly or indirectly).
- (p) The remuneration and emoluments from the Company to Mr Bahen for the current financial year ending 31 December 2014 is expected to be \$40,000 (including superannuation). The remuneration and emoluments from the Company to Mr Bahen for the previous financial year ending 31 December 2013 was \$24,669 (including superannuation).
- (q) If Shareholders approve the grant of the Options, the exercise of those Options will result in a dilution of all other Shareholders' holdings in the Company of:
  - (i) 3.448% based on issued Shares as at the date of this Notice;
  - (ii) 3.067% on a fully diluted basis (including the Options issued to Messrs Walta and Cranston under Resolutions 1 and 2).
- (r) The market price for Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at any time any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.
- (s) As at the date of this Notice the Share price of the Shares are trading on ASX lower than the exercise price of the Options.
- (t) Historical share price information for the last three (3) months is as follows:
 

	Price	Date
Highest	\$0.051	18 August 2014
Lowest	\$0.030	15 July 2014
Last	\$0.039	14 October 2014
- (u) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 3.
- (v) The Chairman will cast all available proxies in favour of Resolution 3.

## 6. Resolution 4 - Re-approval of existing Employee Share Option Plan

### 6.1 Background

The Company considered that it was desirable to maintain an Option plan pursuant to which the Company can issue Options to eligible employees and consultants in order to provide them with an incentive to deliver growth and value to all Shareholders, accordingly the Company proposes to retain its Employee Share Option Plan (**Plan**) previously approved by Shareholders. A complete copy of the Plan is available on the Company's website or by contacting the Company Secretary who will provide a copy of the Plan free of charge.

Under the Plan, the Board may offer to eligible persons the opportunity to subscribe for such number of Options in the Company as the Board may decide and on the terms set out in the rules of the Plan, a summary of which is contained in Section 6.3 of the Explanatory Memorandum below.

## 6.2 Reasons for the Plan

The Board introduced the Plan for the purpose of providing eligible participants with an additional incentive to work to improve the performance of the Company, attracting and retaining personnel essential for the continued growth and development of the Company, promoting and fostering loyalty and support amongst Company personnel for the benefit of the Company and enhancing the relationship between the Company and participants for the long term mutual benefit of all parties.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an Option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period. One of the specified exceptions includes the issue of securities pursuant to an Employee Share Option Plan where shareholders have approved the issue of securities pursuant to the Plan within the last 3 years.

Pursuant to the Listing Rules, Shareholders must re-approve the Plan and all unallocated Options issuable pursuant thereto every 3 years. Shareholder approval is therefore sought for the issue of securities to eligible participants under the Plan for the purposes of Exception 9(b) of Listing Rule 7.2. If approval is given, Options issued under the Plan and Shares issued subsequent to any exercise of those Options will not be included in the 15% calculations for the next three (3) year period.

Since the Plan was approved by Shareholders on 30 July 2010, 3,375,000 Options have been issued under the terms of the Plan, 1,350,000 Options have been cancelled and 2,025,000 Options have expired.

## 6.3 Summary of the Plan

The Plan satisfies certain ASIC class order conditions, relieving the Company from the obligation to issue a prospectus for the offer of Options to eligible participants other than consultants under the Plan. Any issue of Options to consultants will require disclosure by the issue of a prospectus unless one of the exclusions in section 708 of the Corporations Act apply.

- (a) Shares issued on exercise of Options will upon allotment rank equally with other Shares of the Company.
- (b) An Option may only be exercised after that Option has vested (if any vesting conditions are imposed), after any conditions associated with the exercise of the Option are satisfied and before its expiry date. The Board may determine whether any vesting conditions will apply and what those vesting conditions will be. The Board may in its absolute discretion determine any further conditions on the exercise of an Option.
- (c) The Exercise Price of each Option issued under the Plan will be determined by the Board when it resolves to offer the Options, and will be not less than 80% of the average closing sale price of the Shares on ASX over the 5 Trading Days immediately preceding the date of offer to a proposed participant.
- (d) The expiry date of an Option will be determined by the Board, and will be no later than five (5) years from the date of issue.
- (e) An Option will lapse:
  - (i) immediately upon the first to occur of its expiry date, or the participant acting fraudulently, dishonestly or in breach of the participant's obligations to the Company;
  - (ii) after 10 days of the Company issuing a notice of meeting to convene a Shareholders' meeting to enter into a scheme of arrangement

which would result in any person having a relevant interest of not less than 90% of the Shares;

- (iii) after 30 days of the employee voluntarily resigning or of any person acquiring a relevant interest of not less than 90% of the Shares; and
  - (iv) after 6 months of a participant's death, permanent illness or physical or mental incapacity or a participant's redundancy other than as a direct result of the sale of the Company.
- (f) If the Board considers that a change of control event has occurred or is likely to occur, or if any person having a relevant interest in not less than 90% of the Shares proposes to enter into a scheme of arrangement which would result in any person having a relevant interest in not less than 90% of the Shares, then the Board may declare that an Option may vest.
- (g) Options may not be transferred other than to a nominee of the participant, within the meaning prescribed under tax legislation in Australia. Quotation of Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.
- (h) There are no participating rights or entitlements inherent in the Options and participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 9 Business Days after the issue is announced.
- (i) If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves (**Bonus Issue**), each participant holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him or her upon exercise of any of those Options, the number of Shares which would have been issued under the Bonus Issue (**Bonus Shares**) to a person registered as holding the same number of Shares as that number of Shares to which the participant may subscribe for, pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).
- (j) In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each participant is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

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## 7. Resolution 5 - Section 195 Approval

In accordance with section 195 of the Corporations Act, a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

The Directors may have a material personal interest in the outcomes of Resolutions 1 to 3 (inclusive).

In the absence of this Resolution 5, the Directors may not be able to form a quorum at directors meetings necessary to carry out the terms of Resolutions 1 to 3 (inclusive).

The Directors accordingly exercise their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

Resolution 5 is an ordinary resolution.

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## **8. Resolution 6 - Alteration to Constitution - Re-insertion of Proportional Takeover Provisions**

### **8.1 Background**

Under the Corporations Act, a company may include provisions in its constitution to enable it to refuse to register shares acquired under a proportional takeover bid unless a resolution approving the bid is passed by shareholders.

The Company's Constitution currently contains Article 4.5(e) and Schedule 5 which deal with proportional takeovers. A proportional takeover bid is one in which the offeror offers only to buy a specified proportion of each shareholders' shares. The inclusion of the Proportional Takeover Provisions is intended to assist Shareholders in receiving proper value for their Shares in the circumstances of a proportional takeover. Broadly, they permit Shareholders, in a general meeting, to vote on any proportional takeover offer. If the resolution is rejected, the offer is prevented from proceeding.

It is a requirement of the Corporations Act that these provisions in a company's constitution apply for a maximum period of three years, unless renewed earlier. In the case of the Company, the Proportional Takeover Provisions were last approved by Shareholders at the 31 May 2011 Annual General Meeting and ceased to have effect from 31 May 2014, in accordance with the terms of the Constitution and the Corporations Act.

Given that the existing Proportional Takeover Provisions have already expired, technically they are not able to be renewed by Shareholders at the Meeting. Accordingly, Resolution 6 is being put the Shareholders under sections 136(2) and 648G of the Corporations Act to re-insert the Proportional Takeover Provisions into the Company's Constitution.

Resolution 6 is a special resolution and requires approval of 75% of the votes cast by Shareholders.

If the re-insertion of the Proportional Takeover Provisions is approved by Shareholders at the Meeting, the provisions will operate for three years from the date of the Meeting, unless renewed earlier.

If re-inserted, the Proportional Takeover Provisions will be in exactly the same form as the existing Article 4.5(e) and Schedule 5, and will be in the terms outlined in Schedule 3.

The Chairman will cast all available proxies in favour of Resolution 6.

### **8.2 Effect of the Proportional Takeover Provisions**

The effect of the Proportional Takeover Provisions, as re-inserted, will be that where a proportional takeover bid is made for securities in the Company, the Directors must convene a meeting of holders of the relevant securities to vote on a resolution to approve that bid. The meeting must be held, and the resolution voted on, at least 15 days before the offer period under the bid ends.

To be passed, the resolution must be approved by a majority of votes at the meeting, excluding votes by the bidder and its associates. However, the Corporations Act also provides that, if the meeting is not held within the time required, then a resolution to approve the proportional takeover bid will be deemed to have been passed.

If the resolution to approve the proportional takeover bid is passed or deemed to have been passed, the transfer of securities resulting from acceptance of an offer under that bid will be permitted, and the transfers registered, subject to the Corporations Act and the Constitution.



If the resolution is rejected, the registration of any transfer of Shares resulting from an offer under the proportional takeover bid will be prohibited, and the bid deemed to be withdrawn.

The Proportional Takeover Provisions do not apply to full takeover bids and will only apply until 14 November 2017, unless renewed earlier.

### **8.3 Reasons for proposing the resolution**

The Directors consider that it is in the interests of the Shareholders to have proportional takeover bid approval provisions in the Constitution, as they give the Shareholders the opportunity to vote on a proposed proportional takeover bid. If the proposed proportional takeover bid were not subject to such a vote, control of the Company may be acquired by a party holding less than a majority stake without Shareholders having the opportunity to dispose of all their Shares. This would leave Shareholders at risk of becoming part of a minority interest in the Company, which could result in them suffering a loss due to a decrease in Share price following reduced opportunities to dispose of their remaining Shares. The re-insertion of the Proportional Takeover Provisions will prevent this situation by permitting Shareholders to decide whether a proportional takeover bid should be permitted to proceed and assist in ensuring any partial bid is appropriately priced.

### **8.4 Present acquisition proposals**

As at the date this Notice was prepared, no Director of the Company is aware of any current proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company or to announce a takeover offer for Shares in the Company.

### **8.5 Potential advantages and potential disadvantages**

The Corporations Act requires this explanatory statement to discuss the potential advantages and disadvantages of the re-insertion of the Proportional Takeover Provisions for both Directors and Shareholders.

The potential advantages of re-inserting the Proportional Takeover Provisions in the Constitution are that such provisions may:

- (a) enhance the bargaining power of Directors in connection with any potential sale of the Company;
- (b) improve corporate management by eliminating the possible threat of a hostile takeover through longer term planning;
- (c) make it easier for Directors to discharge their fiduciary and statutory duties to the Company and its Shareholders to advise and guide in the event of a proportional bid occurring;
- (d) allow Directors to formally ascertain the views of Shareholders in respect of a proportional takeover bid;
- (e) provide the right to Shareholders to study a proportional takeover bid and decide by majority vote whether an offer under a proportional takeover bid should proceed, which may assist in ensuring any proportional takeover bid is attractive to a majority of Shareholders;
- (f) assist Shareholders to avoid being locked in as a minority and may prevent an offeror acquiring control of the Company without payment of an adequate premium for control;
- (g) enhance the bargaining power of Shareholders by forcing Shareholders to act in a more cohesive manner, which may assist in ensuring that any proportional takeover bid is adequately priced; and

- (h) where Shareholders know the view of the majority of Shareholders, assist individual Shareholders to assess the likely outcome of the proportional takeover bid and whether to accept or reject an offer under the bid.

The potential disadvantages of re-inserting the Proportional Takeover Provisions in the Constitution include the following matters:

- (a) a vote on approval of a specific bid suffers from a bias in favour of the incumbent Board;
- (b) the provisions may reduce the likelihood of a proportional takeover bid being successful and may therefore discourage the making of a proportional takeover bid;
- (c) Shareholders may lose an opportunity to sell some of their Shares at a premium;
- (d) the provisions are inconsistent with the principle that a share in a public company should be transferable without the consent of other shareholders; and
- (e) a Shareholder may lack a sufficient financial interest in any particular company to have an incentive to determine whether the proposal is appropriate.

#### **8.6 Review of the advantages and disadvantages**

Since the Proportional Takeover Provisions came into effect on 31 May 2011, no takeover bids for the Company (either proportional or full) have been made or announced. Therefore, there is no example against which the advantages or disadvantages of the provisions may be assessed. The Directors are not aware of any potential takeover bid that was discouraged by the Proportional Takeover Provisions.

#### **8.7 Directors' recommendation**

The Directors do not believe the above or any other potential disadvantages outweigh the potential advantages of re-inserting the Proportional Takeover Provisions for a further three (3) years.

The Directors consider that it is in the interests of the Shareholders to have proportional takeover bid approval provisions in the Constitution and Shareholders are asked to consider this resolution to re-insert the Proportional Takeover Provisions on identical terms.

The Directors recommend that Shareholders vote in favour of Resolution 6.

## Schedule 1 - Definitions

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

**\$** means Australian Dollars.

**Article** means an article of the Constitution.

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

**Board** means the board of Directors of the Company.

**Business Day** means a day determined by ASX to be a Business Day in accordance with the Listing Rules.

**Chairman** means the person appointed to chair the Meeting of the Company convened by the Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Carbine Resources Limited ACN 122 976 818.

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

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

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

**Director Options** means the Options granted pursuant to Resolutions 1 to 3 (inclusive).

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Notice.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice** means this notice of general meeting.

**Option** means an option to acquire a Share.

**Optionholder** means a person who holds an Option.

**Proportional Takeover Provisions** means the provisions set out in Schedule 3.

**Proxy Form** means the proxy form enclosed with the Notice.

**Resolution** means a resolution referred to in the Notice.

**Schedule** means a schedule to the Notice.

**Section** means a section of the Explanatory Memorandum.

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

**Shareholder** means a shareholder of the Company.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**Tranche A Option** means an Option which entitles the holder to subscribe for one (1) Share at an exercise price of 143% of the VWAP of the Company's Shares on ASX calculated over the five (5) trading days immediately before the date of grant.

**Tranche B Option** means an Option which entitles the holder to subscribe for one (1) Share at the higher exercise price of:

- (a) 10 cents per Share; or
- (b) 200% of the VWAP of the Company's Shares on ASX calculated over the five (5) trading days immediately before the date of grant.

**VWAP** means volume weighted average price.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 2 - Terms and Conditions of the Director Options

Each Option entitles the holder to subscribe for Shares on the following terms and conditions:

1. Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
2. The Options will expire at 5:00 pm (WST) on the date which is 3 years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
3. The amount payable upon exercise of each Option will be:
  - (a) Tranche A Options: 143% of the VWAP of the Company's Shares on ASX calculated over the five (5) Trading Days immediately before the date of grant; and
  - (b) Tranche B Options: the higher of 10 cents or 200% of the VWAP of the Company's Shares on ASX calculated over the five (5) Trading Days immediately before the date of grant,**(Exercise Price).**
4. The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
5. An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (a) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (b) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,**(Exercise Notice).**
6. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
7. Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
8. All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
9. The Company will not apply for quotation of the Options on ASX.
10. Subject to the Corporations Act, the Constitution and Listing Rules, the Options are freely transferable.
11. The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
12. If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and Listing Rules at the time of the reconstruction.
13. There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give

Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

14. An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

### **Schedule 3 - Proportional Takeover Provisions**

#### **4.5 Refusal to register transfers**

- (e) Schedule 5 applies and forms part of the Constitution.

### **Schedule 5 - Proportional Takeover Bid Approval**

#### **1. Definitions**

In this Schedule:

**Approving Resolution** means a resolution to approve a proportional takeover bid in accordance with this Schedule.

**Deadline** means the 14th day before the last day of the bid period for a proportional takeover bid.

**Voter** means a person (other than the bidder under a proportional takeover bid or an associate of that bidder) who, as at the end of the day on which the first offer under that bid was made, held bid class securities for that bid.

#### **2. Refusal of Transfers**

##### **2.1 Requirement for an Approving Resolution**

- (a) The Company must refuse to register a transfer of Shares giving effect to a takeover contract for a proportional takeover bid unless and until an Approving Resolution is passed in accordance with this Schedule 5.
- (b) This Schedule 5 ceases to apply on the 3rd anniversary of its last adoption, or last renewal, in accordance with the Corporations Act.

##### **2.2 Voting on an Approving Resolution**

- (a) Where offers are made under a proportional takeover bid, the Directors must call and arrange to hold a meeting of Voters for the purpose of voting on an Approving Resolution before the Deadline.
- (b) The provisions of this Constitution concerning meetings of Members (with the necessary changes) apply to a meeting held under paragraph 2.2(a).
- (c) Subject to this Constitution, every Voter present at the meeting held under paragraph 2.2(a) is entitled to one vote for each Share in the bid class securities that the Voter holds.
- (d) To be effective, an Approving Resolution must be passed before the Deadline.
- (e) An Approving Resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is great than 50%, and otherwise is taken to have been rejected.
- (f) If no Approving Resolution has been voted on as at the end of the day before the Deadline, an Approving Resolution is taken, for the purposes of this Schedule, to have been passed in accordance with this Schedule.