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## **HODGES RESOURCES LIMITED**

**ACN 115 819 479**

## **NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 9:30am (WST)

**DATE:** 27 November 2014

**PLACE:** Level 2  
38 Richardson Street  
WEST PERTH WA 6005

***This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9322 6418.***

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**IMPORTANT INFORMATION**

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**TIME AND PLACE OF MEETING**

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Notice is given that the Annual General Meeting of the Shareholders convened by this Notice of Meeting will be held at 9:30am (WST) on 27 November 2014 at:

Level 2  
38 Richardson Street  
WEST PERTH WA 6005

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**YOUR VOTE IS IMPORTANT**

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The business of the Annual General Meeting affects your Shareholding and your vote is important.

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**ATTENDANCE AND VOTING ELIGIBILITY**

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For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) the Directors have determined that the Shares quoted on the ASX at 5.00pm WST on 25 November 2014 will be taken, for the purposes of this Annual General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote (if not excluded) at the Meeting.

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**VOTING IN PERSON**

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To vote in person, attend the Annual General Meeting at the time, date and place set out above.

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**VOTING BY PROXY**

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To vote by proxy, please complete and sign the Proxy Form enclosed (and the power of attorney or other authority (if any) under which it is signed (or a certified copy)) and either:

- (a) deliver the Proxy Form to the Company's registered office at Level 2, 38 Richardson Street, West Perth, Western Australia 6005;
- (b) send the Proxy Form by post to Hodges Resources Limited, PO Box 396, West Perth, Western Australia 6872; or
- (c) send the Proxy Form by facsimile to the Company on facsimile number (08) 9322 6398; or
- (d) email the Proxy Form to [mrobbins@hodgesresources.com.au](mailto:mrobbins@hodgesresources.com.au)

so that it is received not later than 9:30am (WST) on 25 November 2014.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders of Hodges Resources Limited will be held at **Level 2, 38 Richardson Street, West Perth, Western Australia at 9:30am WST on Thursday 27 November 2014.**

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum (including the Annexures) are defined in the Glossary unless defined elsewhere in the Explanatory Memorandum.

## AGENDA

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### FINANCIAL STATEMENTS AND REPORTS

**To receive and consider** the 2014 Financial Report together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report thereon.

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### RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

*"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report."*

**Note: the vote on this Resolution is advisory only and does not bind the Board or the Company.**

#### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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### RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR BRYAN DIXON

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

*"That Mr Bryan Dixon, a Director of the Company, who retires by rotation in accordance with the Constitution, and being willing and eligible for re-election, is re-elected as a Director."*

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### **RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY - SHARES**

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

*"That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."*

**Voting Exclusion Statement:**

The Company will disregard any votes cast on this Resolution by a person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair 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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### **RESOLUTION 4 – RATIFICATION OF ISSUE OF SHARES TO GURNEY CAPITAL NOMINEES PTY LTD**

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

*"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 2,000,000 ordinary fully paid shares to Gurney Capital Nominees Pty Ltd at an issue price of \$0.01 per share on the terms and conditions and in the manner set out in the Explanatory Memorandum."*

**Voting Exclusion Statement:**

The Company will disregard any votes cast on this Resolution by Gurney Capital Nominees Pty Ltd described in the Explanatory Statement having regard to the resolution and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair 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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### **RESOLUTION 5 – RATIFICATION OF ISSUE OF SHARES TO A SOPHISTICATED AND PROFESSIONAL INVESTOR**

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

*"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,333,333 ordinary fully paid shares to a sophisticated and professional investor at an issue price of \$0.015 per share on the terms and conditions and in the manner set out in the Explanatory Memorandum."*

**Voting Exclusion Statement:**

The Company will disregard any votes cast on this Resolution by the sophisticated investor described in the Explanatory Statement having regard to the resolution and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair 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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## RESOLUTION 6 – APPROVAL OF HODGES RESOURCES LTD EMPLOYEE INCENTIVE PLAN

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

*“That, for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given to adopt the Company’s Employee Incentive Plan and to issue and allot securities under that plan, and to issue and allot Shares pursuant to those securities, from time to time upon the terms and conditions summarised in the Explanatory Memorandum as an exception to ASX Listing Rule 7.1.”*

### **Voting Exclusion Statement:**

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive plan in relation to the Company) and any associates of such a Director. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chair 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.

### **Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the “voter”) may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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## RESOLUTION 7 – APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER HODGES RESOURCES LTD EMPLOYEE INCENTIVE PLAN

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

*“That, for the purpose of Sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the giving of termination benefits under the Company’s Employee Incentive Plan by the Company to a person or their associates in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate of the Company, as detailed in the Explanatory Memorandum.”*

### **Voting Exclusion Statement:**

For the purpose of ASX Listing Rule 10.11 and Section 200E(2A) of the Corporations Act, the Company will disregard any votes cast on this Resolution by any Shareholders who are also managerial or executive officers of the Company and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chair 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.

**Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the “voter”) may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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**OTHER BUSINESS**

To deal with any business that may be lawfully brought forward.

## PROXIES

A Shareholder entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy that body corporate will need to ensure that it:

- a) appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- b) provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as proxy.

A Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. Fractions of votes will be disregarded.

In order to vote on behalf of a company that is a Shareholder, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be posted or lodged at the registered office of the Company, at Level 2, 38 Richardson Street, West Perth WA 6005, or PO Box 396 West Perth WA 6872, or by facsimile to (61 8) 9322 6398, or by email to [mrobbins@hodgesresources.com.au](mailto:mrobbins@hodgesresources.com.au) not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.

An instrument appointing a proxy:

- a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
- b) may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the Resolution except as specified in the instrument;
- c) shall be deemed to confer authority to demand or join in demanding a poll;
- d) shall be in such form as the Directors determine and which complies with section 250A of the Corporations Act; and
- e) which appoints the Chair as proxy but does not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolutions (subject to the other provisions of these notes on proxies and any required voting exclusions including those in the Notice) as this is the Chair's voting intention.

## Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to, the Company before the commencement of the Meeting.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy.

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

### **Proxy Restrictions**

Shareholders (who are not a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of that member) appointing a proxy for Resolutions 1, 6 and 7 should note the following:

#### ***If you appoint a member of the Key Management Personnel as your proxy***

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, you must direct the proxy how they are to vote. Undirected proxies granted to these persons will not be included in any vote on Resolutions 1, 6 and 7.

#### ***If you appoint the Chair as your proxy***

If you elect to appoint the Chair as your proxy, you do not need to direct the Chair how you wish them to exercise your vote on Resolution 1 however if you do not direct the Chair how to vote, you acknowledge that the Chair may exercise his or her discretion in exercising your proxy even though Resolutions 1, 6 and 7 are connected directly or indirectly with the remuneration of Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for that entity.

The Chair intends to vote all undirected proxies in favour of Resolutions 1, 6 and 7.

#### ***If you appoint any other person as your proxy***

You do not need to direct your proxy how to vote.

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**DATED: 14 OCTOBER 2014**

**BY ORDER OF THE BOARD**

**MIKE ROBBINS  
COMPANY SECRETARY**



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## EXPLANATORY MEMORANDUM

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This Explanatory Memorandum has been prepared for the information of shareholders of Hodges Resources Limited in connection with the business specified to be conducted in the Notice of Annual General Meeting at the annual general meeting of Shareholders to be held at Level 2, 38 Richardson Street, West Perth, Western Australia 6005 at **9:30am WST** on **27 November 2014**.

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

The Notice of Meeting, Explanatory Memorandum and Proxy Form are all important documents. The Directors recommend that Shareholders read them carefully in their entirety before making a decision on how to vote at the Annual General Meeting.

A Glossary of terms frequently used in this Notice of Meeting and Explanatory Memorandum can be found at the end of this Explanatory Memorandum.

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## 2. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the 2014 Financial Report together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report thereon.

The Company will not provide a hard copy of the 2014 Financial Report to Shareholders unless specifically requested to do so. The 2014 Financial Report is available on its website at [www.hodgesresources.com.au](http://www.hodgesresources.com.au).

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## 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING VOTE)

### 2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Board or the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

### 2.2 Voting Consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report at the two consecutive annual general meetings, the company will be required to put to shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the company's 2015 annual general meeting. All of the directors who were in office when the company's 2015 directors' report was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as directors is approved will be the directors of the company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the 2014 Financial Report.

At the Company's previous annual general meeting, less than 25% of votes were cast against the remuneration report at that meeting. Accordingly the Spill Resolution is not relevant for this Annual General Meeting.

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### **3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR BRYAN DIXON**

#### **3.1 Background**

Clause 11.3 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three (3) years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

The Company currently has three (3) Directors and accordingly one (1) must retire.

Mr Bryan Dixon, retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, seeks re-election.

The profile of Mr Dixon is set out in the 2014 Financial Report.

#### **Directors' Recommendation**

The Directors (other than Mr Bryan Dixon) recommend that Shareholders vote in favour of Resolution 3.

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### **4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY - SHARES**

#### **4.1 Purpose of resolution**

The purpose of this special resolution is to authorise the Directors to seek Shareholder approval to allow it to issue a further 10% of the Company's issued share capital under Listing Rule 7.1A during the 10% Placement Period in addition to and without using the Company's 15% placement capacity under Listing Rule 7.1.

This effectively gives the Directors a 25% placement capacity less that part of its placement capacity not available under Listing Rule 7.1.

#### **4.2 General information**

Listing Rule 7.1A came into effect on 1 August 2012 and enables "eligible entities" to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting if the Equity Securities are in an existing quoted class of the Company's securities ("**10% Placement Facility**"). The 10% Placement Facility is in addition to the Company's 15% placement annual capacity under Listing Rule 7.1.

An "eligible entity" for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

The Company is an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility during the period up to 12 months after the Meeting. As Resolution 3 is a special resolution 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

If Shareholders approve Resolution 3 the exact number of Equity Securities that may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to 4.3 (c) below).

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon the issue of any Equity Securities under the 10% Placement Facility.

#### **4.3 Description of Listing Rule 7.1A**

##### **(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting, which is in addition to its 15% annual placement capacity.

##### **(b) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue one class of Equity Securities, namely Shares.

##### **(c) Formula for calculating Additional 10% Placement Facility**

Listing rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(a \times d) - e$$

*a* is the number of shares on issue 12 months before the date of issue or agreement:

- (i) *plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;*
- (ii) *plus the number of partly paid shares that became fully paid in the 12 months;*
- (iii) *plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% annual placement capacity without shareholder approval;*
- (iv) *less the number of fully paid shares cancelled in the 12 months.*

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% annual placement capacity.*

*d* is 10%

*e* is the number of Equity Securities issued or agreed to be issued under 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 Listing Rule 7.1 or 7.4.

##### **(d) Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 141,447,230 Shares and therefore has a capacity to issue:

- (i) 15% or 21,217,085 Equity Securities under Listing Rule 7.1; and
- (ii) 10% or 14,144,723 Equity Securities subject to Shareholder approval being sought under this Resolution 3 under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities, or the agreement date, in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to 4.3(c) above).

(e) **Information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, the below information is provided in relation to the approval of the 10% Placement Facility:

**Minimum Price**

The issue price of the new Equity Securities will be no lower than 75% of the VWAP for the relevant class of securities calculated over the 15 Trading Days immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 Trading Days of the date above, the date on which the Equity Securities are issued.

**Date of Issue**

The Equity Securities may be issued under the 10% Placement Facility commencing on the date of the Meeting and expires on the earlier to occur of:

- the date that is 12 months after the date of this Meeting; or
- the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

**Risk of economic and voting dilution**

If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below.

Shareholders should note that there is a risk that:

- the market price for the Equity Securities to be issued may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.
- a) Any issue of Equity Securities under the 10% Placement Facility will dilute the interests of Shareholders who do not receive any Shares under the issue. If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Facility, the economic and voting dilution of existing Shares would be as shown in the table below.
- b) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice, assuming the full 10% dilution.

- c) 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 under the 10% Placement Facility.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.005 50% decrease in Issue Price	\$0.01 Issue Price	\$0.015 50% increase in Issue Price
<b>Current Variable A</b> 141,447,230	<b>Shares issued</b>	14,144,723 Shares	14,144,723 Shares	14,144,723 Shares
	<b>Funds raised</b>	\$70,724	\$141,447	\$212,171
<b>50% increase* in current Variable A</b> 212,170,845 Shares	<b>Shares issued</b>	21,217,085 Shares	21,217,085 Shares	21,217,085 Shares
	<b>Funds raised</b>	\$106,085	\$212,171	\$318,256
<b>100% increase* in current Variable A</b> 282,894,460 Shares	<b>Shares issued</b>	28,289,446 Shares	28,289,446 Shares	28,289,446 Shares
	<b>Funds raised</b>	\$141,447	\$282,894	\$424,342

\*The 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 scrip issued under a takeover offer) or that are issued under Listing Rule 7.1.

The table has been prepared on the following assumptions:

- The current Shares on issue are the Shares on issue at 13 October 2014.
- The issue price set out above is the closing price of the Shares on the ASX on 13 October 2014.
- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility hence the voting dilution is shown in each example as 10%.
- The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances, and if necessary seek advice from their professional advisers.
- No unlisted options of the Company are exercised into Shares before the date of issue of the Equity Securities.
- The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, and not dilution under the 15% placement capacity under ASX Listing Rule 7.1, under ASX Listing Rule 7.2, or Shareholder approvals under ASX Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes listed options, it is assumed that those listed options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

#### Purpose of issue under 10% Placement Facility

The Company may seek to issue the Equity Securities for the following purposes:

- as cash consideration, in which case the Company intends to use the funds raised towards continued exploration and development of the Company's current projects, the evaluation and acquisition of new opportunities and general working capital; or
- as non-cash consideration for the acquisition of new resources assets and other investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

### Allocation under the 10% Placement Facility

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the purpose of the issue;
- the alternative methods of raising funds that are available to the Company, including but not limited to, an entitlement issue or other issue in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the circumstances of the Company, including but not limited to the financial situation and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders, who are not related parties of the Company or their associates.

### Previous Approval under ASX Listing Rule 7.1A

The Company last obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 25 November 2013.

### Voting Exclusive

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not invited any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

#### 4.4 Listing Rule 7.3A.6 Details of Equity Securities issued during last 12 months

Date of Issue	8 Nov 2013	11 Nov 2013	13 Nov 2013	13 Nov 2013	26 Nov 2013
Number issued	452,137	85,626	847,515	85,626	2,222,222
Class/Type	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Summary of Terms	NA	NA	NA	NA	NA
Name of Persons Issued Securities	Various Noteholders	Various Noteholders	Block Capital Group P/L	Various Noteholders	Kingsreef P/L
Deemed/Issue Price	Various	\$0.0353	\$0.033	\$0.0353	\$0.045
Discount to market	NA	NA	NA	Nil	Nil
<b>CASH ISSUES</b>					
Cash Received	Nil	Nil	Nil	Nil	Nil
Cash Spent	Nil	Nil	Nil	Nil	Nil
Use of Cash	NA	NA	NA	NA	NA
Cash Unspent	NA	NA	NA	NA	NA
<b>NON-CASH ISSUES</b>					
Non-cash consideration	Interest on convertible notes	Interest on convertible notes	Consulting services	Interest on convertible notes	Repayment of short term loan
Current value of non-cash consideration	\$4,521	\$856	\$8,475	\$856	\$22,222

Date of Issue	28 Nov 2013	29 Nov 2013	3 Dec 2013	4 Dec 2013	4 Dec 2013
Number issued	21,740,284	1,391,667	801,282	801,282	10,000,000
Class/Type	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Unlisted Options
Summary of Terms	Full conversion of convertible notes	NA	Per Standby Subscription Agreement	NA	Exercise price \$0.08 Exercisable before 30/11/15
Name of Persons Issued Securities	Various Noteholders	Non-executive Directors and MD	Gurney Capital Nominees P/L	Alyse Investments P/L	Block Capital Group P/L
Deemed/Issue Price	\$0.0354	\$0.036	\$0.0312	\$0.0312	NA
Discount to market	Nil	NA	20%	20%	NA
<b>CASH ISSUES</b>					
Cash Received	Nil	Nil	\$25,000	\$25,000	NA
Cash Spent	Nil	Nil	\$25,000	\$25,000	NA
Use of Cash	Full conversion of convertible notes	NA	Project development and working capital	Project development and working capital	NA
Cash Unspent	NA	NA	\$Nil	\$Nil	NA
<b>NON-CASH ISSUES</b>					
Non-cash consideration	NA	Non-executive director fees and part payment of MD salary	NA	NA	NA
Current value of non-cash consideration	NA	\$13,917	NA	NA	NA

Date of Issue	13 Jan 2014	29 Jan 2014	7 Mar 2014	7 May 2014	19 Jun 2014
Number issued	448,725	256,209	3,224,355	2,000,000	1,785,714
Class/Type	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Summary of Terms	NA	NA	NA	NA	Per Standby Subscription Agreement
Name of Persons Issued Securities	Various Noteholders	Exploration Geophysics	Cazaly Resources Ltd	Sophisticated Investors	Gurney Capital Nominees P/L
Deemed/Issue Price	\$0.0344	\$0.025	\$0.0124	\$0.015	\$0.0112
Discount to market	NA	NA	NA	Nil	20%
<b>CASH ISSUES</b>					
Cash Received	Nil	Nil	Nil	\$30,000	\$20,000
Cash Spent	Nil	Nil	Nil	\$30,000	\$20,000
Use of Cash	NA	NA	NA	Project development and working capital	Project development and working capital
Cash Unspent	NA	NA	NA	\$Nil	\$Nil
<b>NON-CASH ISSUES</b>					
Non-cash consideration	Interest on convertible notes	Survey services	Rent and office services	NA	NA
Current value of non-cash consideration	\$4,487	\$2,562	\$32,243	NA	NA

Date of Issue	2 Sep 2014	30 Sep 2014	8 Oct 2014
Number issued	2,000,000	9,469,851	1,333,333
Class/Type	Ordinary Shares	Ordinary Shares	Ordinary Shares
Summary of Terms	Per Standby Subscription Agreement	NA	NA
Name of Persons Issued Securities	Gurney Capital Nominees P/L	Non-executive Directors and MD	Sophisticated Investor
Deemed/Issue Price	\$0.01	\$0.016	\$0.015
Discount to market	20%	NA	NA
<b>CASH ISSUES</b>			
Cash Received	\$20,000	Nil	\$20,000
Cash Spent	\$20,000	Nil	\$5,000
Use of Cash	Project development and working capital	NA	Working capital
Cash Unspent	\$Nil	NA	\$15,000
<b>NON-CASH ISSUES</b>			
Non-cash consideration	NA	Non-executive director fees and part payment of MD salary	NA
Current value of non-cash consideration	NA	\$94,699	NA

Pursuant to and in accordance with Listing Rule 7.3A.6 (a), the total number of Equity Securities issued since the date of the last AGM held on 25 November 2013 are as follows:

Class/Type	On Issue 25 November 2013	Number Issued Since 25 November 2013	% Issued Since 25 November 2013
Ordinary Shares	93,972,305	47,474,924	51%
Unlisted Options	5,875,000	10,000,000	170%

### **Directors' Recommendation**

The Directors consider that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under ASX Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should it be required and which will be in addition to, and without using, the Company's 15% annual placement capacity. At the date of the Notice, the Company has no plans to use the 10% Placement Facility should it be approved. Accordingly the Directors recommend that Shareholders vote in favour of Resolution 3.

## **5. RESOLUTION 4 – RATIFICATION OF ISSUE OF SHARES TO GURNEY CAPITAL NOMINEES PTY LTD**

### **5.1 Background**

Resolution 4 seeks the approval from the Shareholders for the issue of 2,000,000 Shares to Gurney Capital Nominees Pty Ltd under a Standby Subscription Agreement entered into by the Company and announced to the ASX on 30 September 2013.



## **5.2 ASX Listing Rule 7.4**

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of fully paid ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

The following information is provided for the purpose of ASX Listing Rule 7.4.

*(a) Number of securities issued or to be issued*

2,000,000 Shares

If shareholders approve Resolution 4, the issue of 2,000,000 shares will be excluded from the calculations of the 15% limit under ASX Listing Rule 7.1.

*(b) Issue price of securities*

\$0.01 per Share

*(c) Terms of the securities*

Shares were issued fully paid and rank parri passu in all respects with the Company's other Shares on issue.

*(d) Allottees*

Gurney Capital Nominees Pty Ltd. The allottee is not a related party of the Company.

*(e) Intended use of funds raised.*

The funds have been used for exploration and development of the Company's projects and to provide working capital.

## **Directors' Recommendation**

The Board recommends Shareholder approval under resolution 4 for the issue of Shares pursuant to ASX Listing Rule 7.4 to refresh the Company's capacity to issue up to 15% of its issued Shares, if required, in the next 12 months without Shareholder approval.

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## **6. RESOLUTION 5 – RATIFICATION OF ISSUE OF SHARES TO A SOPHISTICATED AND PROFESSIONAL INVESTOR**

### **6.1 Background**

Resolution 5 seeks the approval from the Shareholders for the issue of 1,333,333 Shares to a sophisticated and professional investor under a private placement.

### **6.2 ASX Listing Rule 7.4**

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of fully paid ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

The following information is provided for the purpose of ASX Listing Rule 7.4.

*(a) Number of securities issued or to be issued*

1,333,333 Shares

If shareholders approve Resolution 5, the issue of 1,333,333 shares will be excluded from the calculations of the 15% limit under ASX Listing Rule 7.1.

*(b) Issue price of securities*

\$0.015 per Share

*(c) Terms of the securities*

Shares were issued fully paid and rank parri passu in all respects with the Company's other Shares on issue.

*(d) Allottees*

E W Tucker & K L Tucker. The allottee is not a related party of the Company.

*(e) Intended use of funds raised.*

The funds will be used for working capital.

### **Directors' Recommendation**

The Board recommends Shareholder approval under resolution 5 for the issue of Shares pursuant to ASX Listing Rule 7.4 to refresh the Company's capacity to issue up to 15% of its issued Shares, if required, in the next 12 months without Shareholder approval.

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## **7. RESOLUTION 6 – APPROVAL OF HODGES RESOURCES LTD EMPLOYEE INCENTIVE PLAN**

### **7.1 General**

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of executive Directors and employees of a high calibre, the Company seeks to renew and update its "Hodges Resources Limited Employee Incentive Plan" (**Plan**).

Listing Rule 7.1 provides, in summary, that subject to certain conditions, the Company must not issue or agree to issue equity securities, including options, in any 12 month period equal to more than 15% of the number of issued fully paid ordinary shares of the Company at the beginning of the 12 month period, except with prior shareholder approval in general meeting of the terms and conditions of the proposed issue.

Resolution 6 seeks Shareholder approval under exception 9(b) of ASX Listing Rule 7.2 to allow the grant of Options under the Plan (**Incentive Options**), and the issue of Shares on exercise of the Incentive Options, as an exception to ASX Listing Rule 7.1.

The grant of Incentive Options will only fall within exception 9(b) of ASX Listing Rule 7.2 if the Incentive Options are issued under an employee incentive option plan approved by Shareholders within three years before the date of issue.

If Resolution 6 is passed, the Company will have the ability to issue Incentive Options to Eligible Participants under the Plan over a period of three years without impacting on the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

The executive Directors and employees of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the Plan is an appropriate method to:

- a) Reward executive Directors and employees for their past performance;
- b) provide long term incentives for participation in the Company's future growth;
- c) motivate executive Directors and generate loyalty from senior employees; and
- d) assist to retain the services of valuable executive Directors and employees.

The Plan will be used as part of the remuneration planning for executive Directors and employees. The Corporate Governance Council Guidelines recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the company's circumstances and goals. Non-executive Directors are not eligible to participate in the Plan.

## **7.2 ASX Listing Rule 7.2 (Exception 9(b)) Disclosure Requirements**

In accordance with Listing Rule 7.2 (Exception 9(b)), the following information is disclosed to Shareholders for the purposes of Resolution 6:

- (a) A summary of the terms and conditions of the Plan is set out in section 7.3 below.
- (b) No Incentive Options have yet been issued under the Plan.
- (c) A voting exclusion statement is included in the Notice.

## **7.3 Employee Incentive Option Plan**

- (a) **Eligibility and Grant of Incentive Options:** The Board may grant Incentive Options to any full or part time employee (and their associates) or executive Director (but not a non-executive Director) of the Company or an associated body corporate. Incentive Options may be granted by the Board at any time.
- (b) **Consideration:** Each Incentive Option issued under the Plan will be issued for nil cash consideration.
- (c) **Conversion:** Each Incentive Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date:** The exercise price and expiry date for Incentive Options granted under the Plan will be determined by the Board prior to the grant of the Incentive Options.
- (e) **Exercise Restrictions:** The Incentive Options granted under the Plan may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Incentive Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the Incentive Options.
- (f) **Lapsing of Incentive Options:** Subject to the terms of the Offer made to a Participant, an unexercised Incentive Option will lapse:
  - (i) on its Expiry Date;
  - (ii) if any Exercise Condition is unable to be met; and
  - (iii) subject to certain exceptions, on the eligible participant ceasing employment with the Company.
- (g) **Share Restriction Period:** Shares issued on the exercise of Incentive Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a Restriction Period has expired, as specified in the offer for the Incentive Options.
- (h) **Disposal of Incentive Options:** Incentive Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.

- (i) **Trigger Events:** The Company may permit Incentive Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.
- (j) **Participation in Rights Issues and Bonus Issues:**
  - (i) There are no participating rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options.
  - (ii) The Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six (6) Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.
  - (iii) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option Exercise Price shall be reduced according to the formula specified in the Listing Rules.
  - (iv) In the event of a bonus issue of Shares being made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Option.
- (k) **Reorganisation:** The terms upon which Incentive Options will be granted will not prevent the Incentive Options being re-organised as required by the Listing Rules on the re-organisation of the capital of the Company.
- (l) **Limitations on Offers:** The Company must take reasonable steps to ensure that the number of Shares to be received on exercise of Incentive Options offered under an offer when aggregated with:
  - (i) the number of Shares that would be issued if each outstanding offer for Shares, units of Shares or options to acquire Shares under the Plan or any other employee share scheme of the Company were to be exercised or accepted; and
  - (ii) the number of Shares issued during the previous 5 years from the exercise of Incentive Options issued under the Plan (or any other employee share plan of the Company extended only to Eligible Participants),

does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with ASIC Class Order 03/184).

### **Directors' Recommendation**

The Board recommends that Shareholders vote in favour of Resolution 6.

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## **8. RESOLUTION 7 – APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER HODGES RESOURCES LTD EMPLOYEE INCENTIVE PLAN**

### **8.1 General**

The Corporations Act restricts the benefits which can be given to certain persons (those who hold a managerial or executive office, as defined in the Corporations Act) on leaving their employment with the Company. Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or its related bodies corporate if it is approved by shareholders or an exemption applies. The provisions of the Corporations Act relating to termination benefits were amended in 2009 to significantly reduce the maximum termination benefits that can be given without prior shareholder approval and to expand the scope of the provisions. The new, lower termination benefits cap applies to all Directors (including executive Directors) and, since November 2009, to all key management personnel of the Company (that is, to all persons whose remuneration is required to be disclosed in the Remuneration Report), including those who are not Directors. Additionally, persons subject to the restrictions remain subject to them for at least three years after they cease to hold a managerial or executive office.

Under the proposed Plan (the subject of Resolution 6), circumstances in which the early vesting of Incentive Options are permitted, include termination of the employee's employment or office with the Company due to redundancy or in other circumstances where the Board exercises its discretion to do so as well as change of control events, notwithstanding that the Company will comply with its obligations under ASX Listing Rules 10.18 and 10.19. The termination "benefit" under section 200B of the Corporations Act has a wide operation and relevantly includes, in the context of Resolution 6, the early vesting of Incentive Options granted under the Plan.

Resolution 7 therefore seeks approval of any "termination benefit" that may be provided to an employee under the proposed Plan (the subject of Resolution 6), who from, time to time, holds a managerial or executive office (as defined in the Corporations Act) in the Company.

Specifically, Shareholder approval is being sought to give the Board (or the Boards' delegate) the capacity to exercise certain discretions under the Plan, including the discretion to determine to vest some or all of the unvested Incentive Options of any relevant participant who is affected by the new termination benefits laws when they leave employment with the Company.

Non-Executive Directors are not entitled to participate in the Plan and so the approval will not apply to them. The Company is seeking approval to assist the Company in meeting its existing obligations to executive Directors and employees of the group, and to provide the Company with the flexibility to continue to remunerate employees fairly and responsibly.

If all relevant Shareholder approval is obtained under Resolution 6 and this Resolution 7, and the Board exercises its discretion to vest some or all of an affected participant's unvested Incentive Options (or to provide that the participant's Incentive Options do not lapse but will continue and be vested in the ordinary course), the value of the benefit will be disregarded when calculating the relevant participants cap for the purposes of subsection 200F(2)(b) or subsection 200G(1)(c) of the Corporations Act.

### **8.2 Section 200E of the Corporations Act**

Section 200E requires certain information to be provided to shareholders in approving a termination benefit. Whilst the value of the proposed termination benefits cannot current be ascertained, the manner in which the value of the proposed termination benefits is calculated, and the matters, events and circumstances that will, or are likely to, affect the calculation of the value are as follows:

(a) Details of the termination benefits

The proposed Plan, if approved by Shareholders under Resolution 6, contains provisions setting out the treatment of unvested options in situations such as where an employee leaves the Company (in certain circumstances) or where there is a change in control of the Company. For example, under the rules of the Plan, where a participant resigns from his or her employment with the Company before his or her Incentive Options have vested, the Board may exercise its discretion to determine that some or all of the Incentive Options will vest, and the basis on which vesting may occur (which may include, without limitation, timing and conditions). Similarly, if a "change of control" occurs, the Board may determine that some or all of a participant's unvested Incentive Options will vest.

The exercise of these discretions will constitute a "benefit" for the purposes of the Corporations Act's termination benefits provisions.

(b) Value of the termination benefits

The value of the termination benefits that the Board may give under the proposed Plan cannot be determined in advance. This is because the proposed Plan is subject to approval under Resolution 6 and if approved by Shareholders, various matters will, or are likely to affect that value. Specifically, if the Plan is approved by Shareholders under Resolution 6, the value of a particular benefit will depend on the Company's share price at the time of vesting and the number of Incentive Options that the Board decided to vest. Some of the factors that may affect the value of the termination benefits are as follows:

- (a) the participant's length of service and the proportion of any relevant performance periods that have expired at the time they leave employment;
- (b) the participant's total fixed remuneration at the time grants are made under the Plan and at the time they leave employment; and
- (c) the number of unvested Incentive Options that the participant holds at the time they leave employment.

**Directors' Recommendation**

The Board recommends Shareholders vote in favour of resolution 7.

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## GLOSSARY

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In the Notice of Meeting (including the Annexures thereto) and the Proxy Form, the following terms have the following meanings unless they are otherwise defined or the context otherwise requires:

**\$** means Australian dollars.

**2014 Financial Report** means the Company's financial report for the financial year ended 30 June 2014, which can be downloaded from the Company's website at [www.hodgesresources.com.au](http://www.hodgesresources.com.au).

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**Annexure** means an annexure to this Explanatory Memorandum.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the market operated by it, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

**Board** means the board of Directors.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chairperson of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) that may be made for this purpose.

**Company** or **Hodges** means Hodges Resources Limited ACN 115 819 479.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth) and the regulations promulgated under it, each as amended from time to time.

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

**Explanatory Memorandum** means the explanatory memorandum accompanying and forming part of the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those 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.

**Notice** or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Memorandum and the Proxy Form.

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

**Proxy Form** means the proxy form accompanying and forming part of the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the 2014 Financial Report.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

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

**Shareholder** means a holder of a Share.

**Trading Day** means a day determined by ASX to be a trading day and notified to market participants being:

- (d) a day other than:
  - (i) a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day; and
  - (ii) any other day which ASX declares and publishes is not a trading day; and
- (e) notwithstanding (a), a day which for the purposes of settlement, ASX declares is a trading day notwithstanding that dealings between market participants are suspended on that day.

**WST** means Western Standard Time as observed in Perth, Western Australia.

Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.