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## **GRAND GULF ENERGY LIMITED**

**ACN 073 653 175**

### **NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 10:00am

**DATE:** 20 November 2014

**PLACE:** Level 7, 1008 Hay St, Perth WA 6000

*This Notice of Meeting 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 Meeting please do not hesitate to contact the Company Secretary on +61 8 9389 2000.*

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## IMPORTANT INFORMATION

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### Time and place of Meeting

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Notice is given that the Meeting will be held at 10:00am on 20 November 2013 at:

Level 7, 1008 Hay St, Perth WA 6000

### Your vote is important

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The business of the Meeting affects your shareholding and your vote is important.

### Voting eligibility

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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 Shareholders at 10:00am on 18 November 2014.

### Voting in person

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

### Voting by proxy

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

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

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

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and

- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

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#### 2. 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 resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2014."*

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

**Voting Prohibition Statement:**

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

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

However, a person (the **voter**) described above 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 by writing that specifies the way the proxy is to vote on this Resolution; or
- (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.

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#### 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – STEPHEN KEENIHAN

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

*"That, for the purpose of clause 12.1.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Stephen Keenihan, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

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#### 4. RESOLUTION 3 – ISSUE OF SECURITIES TO MARK FREEMAN

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

*"That, in accordance with Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise the grant of 8 million Incentive Options to Mr Mark Freeman (or his nominee), a Director, on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Mark Freeman and any of his associates. However, the Company need not disregard a vote if:

- 1. 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
- 2. it is cast by the Chairman 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 4 – ISSUE OF SECURITIES TO ALLAN BOSS

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

*"That, in accordance with Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise the grant of 5 million Incentive Options to Mr Allan Boss (or his nominee), a Director, on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Allan Boss and any of his associates. However, the Company need not disregard a vote if:

1. 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
2. it is cast by the Chairman 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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**6. RESOLUTION 5 – ISSUE OF SECURITIES TO STEPHEN KEENIHAN**

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

*"That, in accordance with Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise the grant of 3 million Incentive Options to Mr Stephen Keenihan (or his nominee), a Director, on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Stephen Keenihan and any of his associates. However, the Company need not disregard a vote if:

1. 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
2. it is cast by the Chairman 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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**7. RESOLUTION 6 – ISSUE OF OPTIONS TO CONSULTANTS**

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

*"That, subject to the passing of Resolution 6, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue 11,000,000 Incentive Options to the parties as set-out in and on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the parties being issued the options or any person who might obtain a benefit, except a benefit solely in the capacity of holder of ordinary securities, if the resolution is passed. 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 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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**8. RESOLUTION 7 – 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 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 Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any 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 will 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 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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**Dated: 22 October 2014**

**By order of the Board**

**MARK FREEMAN  
MANAGING DIRECTOR**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <http://grandgulfenergy.com/>.

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### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

#### 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 company or 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 annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on 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, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) 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 of the company is approved will be the directors of the company.

#### 2.3 Previous voting results

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

## 2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

***If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy***

***You must direct your proxy how to vote on this Resolution.*** Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

***If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).***

You **do not** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you must mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

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

You **do not** need to direct your proxy how to vote on this Resolution, and you **do not** need to mark any further acknowledgement on the Proxy Form.

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## 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – STEPHEN KEENIHAN

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 year, whichever is the longer.

Clause 12.1.3 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 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 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 Managing Director shall not retire by rotation, but if there is more than one Managing Director then the first appointed Managing Director shall not be subject to re-election and the other Managing Director and the Executive Directors shall be subject to re-election.

The Company currently has 4 Directors and accordingly 1 must retire.

- (a) Stephen Keenihan, the Director longest in office since his last election, retires by rotation and seeks re-election.

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## 4. RESOLUTIONS 3, 4 AND 5 – ISSUE OF SECURITIES TO DIRECTORS

### 4.1 General

This resolution seeks Shareholder approval in accordance with Listing Rule 10.11 for the grant of the following options to Directors:

Mark Freeman (Managing Director)	8,000,000
Allan Boss (Executive Director)	5,000,000
Stephen Keenihan	3,000,000
Total	16,000,000

The purpose of the grant of the Incentive Options to Messrs Freeman, Boss and Keenihan is for the Company to retain their high calibre services and to provide cost effective remuneration to these directors for their ongoing commitment and contribution to the Company.

The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed. If the Incentive Options are not granted, the Company could pay Messrs Freeman, Boss and Keenihan additional cash remuneration. However, the Board considers it reasonable for the remuneration of Messrs Freeman, Boss and Keenihan to have a cash component and an equity component to further align their interests with Shareholders and maintain a better cash position for the Company.

#### **4.2 Listing Rule 10.1**

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.

Messrs Freeman, Boss and Keenihan are regarded as related parties of the Company by reason of their Directorships.

Furthermore, Shareholder approval of the grant of the Incentive Options means that the grant of the Incentive Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

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

#### **4.3 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 Incentive Options will be granted to Messrs Freeman, Boss and Keenihan (or their nominees) for nil consideration.
- (b) The maximum number of Incentive Options to be granted under this Resolutions 3, 4 and 5 is 16 Million.
- (c) The Company will grant the Incentive 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) The Incentive Options will be issued on the following terms (Full terms and conditions are attached in Schedule 1):
  - a. The Options will have an expiry date of 30 November 2018.
  - b. The options will vest as follows:
    - i. 20% on Issue;
    - ii. 30% on the first anniversary; and
    - iii. 50% on the second anniversary.
  - c. Pricing - The exercise price will be either 1.40 cents or 125% of the last sale Share price on the ASX on the date of final Shareholders approval (whichever is the greater).
- (e) Messrs Freeman, Boss and Keenihan have an interest in the Resolution and therefore will not make a recommendation. Mr Charles Morgan, the Chairman, recommends the grant of the 16 Million Incentive Options to Messrs Freeman, Boss and Keenihan as it aligns the interests of the Company and the Directors to maximise Shareholder value.
- (f) A voting exclusion statement is included for the Resolution in the Notice.
- (g) No funds will be raised by the grant of the Incentive Options as each Incentive Option is being granted at nil consideration.
- (h) 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 the Resolution.
- (i) The Chairman will cast all available proxies in favour of the Resolution

#### **4.4 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,



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

The issue of the Options to Messrs Freeman, Boss and Keenihan constitutes the giving of a financial benefit and Messrs Freeman, Boss and Keenihan are related parties of the Company by virtue of being directors.

The Director who does not have a material personal interest in the Resolution consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the issue of Options is deemed to be 'reasonable remuneration'.

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## **5. RESOLUTION 6 – ISSUE OF OPTIONS TO CONSULTANTS**

### **5.1 General**

This resolution seeks Shareholder approval in accordance with Listing Rule 7.1 for the grant of the following options to the following Consultants:

KC Whittemore (Geologist)	5,000,000
Scott Sechrist (Geophysicist)	3,000,000
Sylvia Moss (Financial Controller)	2,000,000
Daniell Nottebart (Legal Secretary)	1,000,000
Total	11,000,000

The purpose of the grant of the Incentive Options to the consultants is for the Company to retain their high calibre services and to provide cost effective remuneration for their ongoing commitment and contribution to the Company.

The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed. If the Incentive Options are not granted, the Company could pay the consultants additional cash remuneration. However, the Board considers it reasonable for the remuneration of the consultants to have a cash component and an equity component to further align their interests with Shareholders and maintain a better cash position for the Company.

### **5.2 ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Company to issue the Options to the consultants during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **5.3 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Option issue:

- (a) the maximum number of Options to be issued is 11,000,000 Options;
- (b) the Options will be issued to KC Whittemore, Scott Sechrist, Sylvia Moss, Daniell Nottebart (or their nominees), consultants of the Company. KC Whittemore, Scott Sechrist, Sylvia Moss, Daniell Nottebart are not related parties of the Company;
- (c) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (d) the Options will be issued for nil cash consideration;
- (e) the Options will be issued on the terms and conditions set out in Schedule 1; and

- (f) no funds will be raised from this issue as the Options are being issued as an incentive based payment.

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## **6. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY– SHARES**

### **6.1 General**

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**). The Company is an Eligible Entity.

If Shareholders approve Resolution 7, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in section 6.2 below).

The effect of Resolution 7 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

### **6.2 ASX Listing Rule 7.1A**

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$6,731,989 as at 16 October 2014. Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of Equity Securities on issue. The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

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

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
  - (iv) less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

### **6.3 Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 7:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 6.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1 A ceases to be valid);  
**(10% Placement Capacity Period).**

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 6 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

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

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 Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	0.0045 50% decrease in Issue Price	0.009 Issue Price	0.0135 50% increase in Issue Price
747,998,870 (Current Variable A)	Shares issued - 10% voting dilution	74,799,887	74,799,887	74,799,887
	Funds raised	\$336,599	\$673,199	\$1,009,798
1,121,998,305 (50% increase in Variable A)	Shares issued - 10% voting dilution	112,199,831	112,199,831	112,199,831
	Funds raised	\$504,899	\$1,009,798	\$1,514,698
1,495,997,740 (100% increase in Variable A)	Shares issued - 10% voting dilution	149,599,774	149,599,774	149,599,774
	Funds raised	\$673,199	\$1,346,398	\$2,019,597

\*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 with Shareholder approval under Listing Rule 7.1.

**The table above uses the following assumptions:**

1. There are currently 747,998,870 Shares on issue;
2. The issue price set out above is the closing price of the Shares on the ASX on 17 October 2014.

3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares.
6. 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.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

**(d) Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets (funds would then be used for project, feasibility studies and ongoing project administration), general working capital; or
- (ii) as non-cash consideration for the acquisition of new resources assets and investments including previously announced acquisitions, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

**(e) Allocation under the 10% Placement Capacity**

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

**(f) Previous Approval under ASX Listing Rule 7.1A**

The Company has not previously obtained approval under ASX Listing Rule 7.1A.

**(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

#### **6.4 Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

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## 7. SCHEDULE 1 - TERMS AND CONDITIONS OF OPTIONS

### Entitlement

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

### Exercise Price

Subject to paragraph (c), the amount payable upon exercise of each New Option will be either \$0.014 or 125% of the last sale Share price on the ASX on the date of final Shareholders approval (whichever is the greater).

### Expiry Date

Each New Option will expire at 5:00 pm (WST) on 30 November 2018. New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### Vesting Clauses

The vesting of the New Options will be subject to the employee or consultant maintaining their employment or consulting agreement with the Company at the point the vesting hurdle is met:

- 20% of the options will vest immediately;
- 30% of the options will vest on the first anniversary; and
- 50% will vest on the second anniversary.

For example if the employee/consultant ceases working for the Company after 15 months from issue date of the options then only 20% of the options will have vested.

### Notice of Exercise

The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the New Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

### Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

### Timing of issue of Shares on exercise

Within 15 Business Days after the later of the following:

- (a) the Exercise Date; and
- (b) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,
- (c) but in any case no later than 20 Business Days after the Exercise Date, the Company will:
- (d) allot and issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (e) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (f) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(v) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

#### **Shares issued on exercise**

Shares issued on exercise of the New Options rank equally with the then issued fully paid ordinary shares of the Company.

#### **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

#### **Unquoted**

The Company will not apply for quotation of the New Options on ASX.

#### **Reconstruction of capital**

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 the ASX Listing Rules at the time of the reconstruction.

#### **Participation in new issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

#### **Change in exercise price**

Subject to paragraph (k) a New Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the New Option can be exercised.

#### **Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## GLOSSARY

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**\$** means Australian dollars.

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

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

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

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

**Board** means the current board of directors of the Company.

**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 chair 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 entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Grand Gulf Energy Limited (ACN 073 653 175).

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

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

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2014.

**Resolutions** means the resolutions set out in the Notice, 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 registered holder of a Share.

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