



TARUGA GOLD

Taruga Gold Limited

ACN 153 868 789

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Thursday, 27 November 2014

9:00am (WST)

Amberley Business Centre
3/1060 Hay St
West Perth WA 6005
Australia

The Annual Report is available online at www.tarugagold.com.au

This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 (0)8 9486 4036.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Taruga Gold Limited will be held at the Amberley Business Centre, 3/1060 Hay St, West Perth WA, on Thursday, 27 November at 9:00am WST.

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

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 25 November 2014 at 4:00pm (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum can be found in the Definitions section at page 19.

AGENDA

Annual Report

To receive and consider the Company's Annual Report for the year ended 30 June 2014, which includes the Financial Report, the Directors' Report and the Auditor's Report.

Resolution 1 – Adoption of Remuneration Report

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

“That the Remuneration Report included in the Annual Report for the financial year ended 30 June 2014 be adopted by the Shareholders on the terms and conditions set out in the Explanatory Memorandum.”

The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion

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

- (c) the voter does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; or
- (d) 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 if this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

Resolution 2 – Re-election of Director – Frank Terranova

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

"That Mr Frank Terranova retires by rotation in accordance with clause 11.3 of the Constitution and, being eligible, is hereby re-elected as a Director."

Resolution 3 – Re-election of Director – Myles Campion

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

"That Mr Campion, having been appointed by the Directors on 29 August 2014 until this Annual General Meeting, retires in accordance with clause 11.10 of the Constitution and, having offered himself for re-election and being eligible, is hereby re-elected as a Director."

Resolution 4 – Re-election of Director – Daniel Smith

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

"That Mr Smith, having been appointed by the Directors on 29 August 2014 until this Annual General Meeting, retires in accordance with clause 11.10 of the Constitution and, having offered himself for re-election and being eligible, is hereby re-elected as a Director."

Resolution 5 – Approval of 10% Placement Facility

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

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities 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 terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction of the Proxy Form to vote as the proxy decides.

Resolution 6 – Issue of Incentive Options to Director – F Terranova

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

"That, for the purposes of ASX Listing Rules 10.11, Section 195 and Chapter 2E of the Corporations Act and for all other purposes, the Directors be authorised to grant a total of 1,500,000 Incentive Options to a Director Mr F Terranova or his nominee on the terms and conditions as set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this resolution by or on behalf of a Director who may participate in the proposed issue or any of his associates. 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.

Resolution 7 – Issue of Incentive Options to Director M Campion

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

“That, for the purposes of ASX Listing Rule 10.11, Section 195 and Chapter 2E of the Corporations Act and for all other purposes, the Directors be authorised to grant a total of 1,500,000 Incentive Options to a Director Mr M Campion or his nominee on the terms and conditions as set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this resolution by or on behalf of a Director who may participate in the proposed issue or any of his associates. 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.

Resolution 8 – Issue of Incentive Options to Director D Smith

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

“That, for the purposes of ASX Listing Rule 10.11, Section 195 and Chapter 2E of the Corporations Act and for all other purposes, the Directors be authorised to grant a total of 1,500,000 Incentive Options to a Director Mr D Smith or his nominee on the terms and conditions as set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this resolution by or on behalf of a Director who may participate in the proposed issue or any of his associates. 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.

Resolution 9 – Issue of Incentive Options to S Edis

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

“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 1,500,000 Incentive Options to Mr S Edis or his nominee on the terms and conditions as set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this resolution by or on behalf of persons who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any associate 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.

Dated 21 October 2014

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Daniel Smith', with a long horizontal flourish extending to the right.

Daniel Smith

Director & Joint Company Secretary

EXPLANATORY MEMORANDUM

1 Introduction

This Explanatory Memorandum has been prepared for the information of members of Taruga Gold Limited ("Taruga") in connection with the business to be conducted at the Annual General Meeting of Members to be held on Thursday, 27 November 2014 commencing at 9:00am at the Amberley Business Centre, 3/1060 Hay St, West Perth WA.

This Explanatory Memorandum forms part of and should be read in conjunction with the accompanying Notice of Annual General Meeting.

Shareholders should note that all the Directors approved the proposal to put the resolutions to Shareholders as outlined in the Notice of Annual General Meeting and to prepare this Explanatory Memorandum.

The purpose of this Explanatory Memorandum is to provide information for Shareholders in deciding whether or not to pass the Resolutions in the Notice of Annual General Meeting.

2. Action to be taken by Shareholders

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

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a **proxy**) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

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

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

2.2 Corporate representatives

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's

representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

An appointment of corporate representative form is available from the website of the Company's share registry (Computershare Investor Services Pty Limited).

3. Annual Report

In accordance with the requirements of the Company's Constitution and the Corporations Act, the 2014 Annual Report will be tabled at the Annual General Meeting. There is no requirement for Shareholders to approve the Annual Report, however Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report.

The Annual Report is available online at www.tarugagold.com.au.

Representatives from the Company's auditors, HLB Mann Judd, will be present to take Shareholders' questions and comments about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report; and
- (b) the conduct of the audit;
- (c) accounting policies by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 – Adoption of Remuneration Report

The Annual Report for the financial year ended 30 June 2014 contains a Remuneration Report, which forms part of the Directors' Report and sets out the remuneration policy for the Company and its controlled entities, and reports the remuneration arrangements in place for executive directors, senior management and non-executive directors.

The Corporations Act requires listed companies to put an annual non-binding resolution to shareholders to adopt the Remuneration Report. In line with the legislation, this vote will be advisory only, and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy.

Under the Corporations Act, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2015 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a 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 general meeting ("Spill Meeting") within 90 days of the Company's 2015

annual general meeting. All the Directors who were in office when the Company's 2015 Director's 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.

At the Company's previous annual general meeting the votes cast against the remuneration report were less than 25%. Accordingly, the resolution for the re-election of the Board is not relevant for this Meeting.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

5. Resolution 2 – Re-election of Director – Frank Terranova

In accordance with the requirements of the Company's Constitution and the Corporations Act, one-third of the Directors of the Company retire from office at this Annual General Meeting and, being eligible, may offer themselves for re-election. Mr Frank Terranova retires by rotation and offers himself for re-election.

Details of Mr Terranova's background and experience are set out in the Annual Report.

The Directors (excluding Mr Terranova) recommend that Shareholders vote in favour of Resolution 2. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 2.

6. Resolution 3 – Re-election of Director – Myles Campion

Mr Campion was appointed to the Board during the year in accordance with clause 11.10 of the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Campion automatically retires at this Annual General Meeting in accordance with clause 11.10 of the Constitution, and being eligible, seeks re-election at the Meeting.

Details of Mr Campion's background and experience are set out in the Annual Report.

The Directors (excluding Mr Campion) recommend that Shareholders vote in favour of Resolution 3. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 3.

7. Resolution 4 – Re-election of Director – Daniel Smith

Mr Smith was appointed to the Board during the year in accordance with Section 11.10 of the Constitution.

Any Director so appointed holds office only until the next following Annual General Meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Smith automatically retires at this Annual General Meeting in accordance with clause 11.10 of the Constitution, and being eligible, seeks re-election at the Meeting.

Details of Mr Smith's background and experience are set out in the Annual Report.

The Directors (excluding Mr Smith) recommend that Shareholders vote in favour of Resolution 4. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 4.

8. Resolution 5 – Approval of 10% Placement Facility

8.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements in the 12 month period after an annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement 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 now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer Section 8.2 below).

The Company may use the 10% Placement Facility to fund ongoing development.

The Directors of the Company believe Resolution 5 is in the best interest of the Company and its Shareholders and unanimously recommend that the Shareholders vote in favour of this Resolution.

8.2 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.

(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 quoted Equity Securities.

(c) **Formula for calculating 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 annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

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

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

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;
- (c) 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% placement capacity without shareholder approval;
- (d) 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% 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 7.4**

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 358,257,502 Shares and therefore has a capacity to issue:

- (i) 53,738,625 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 5, 35,825,750 Equity Securities 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 in accordance with the formula prescribed in Listing Rule 7.1A.2.

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued or agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (f) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) 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**).

8.3 Listing Rule 7.1A

The effect of Resolution 5 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

8.4 Specific information required by Listing Rule 7.3A

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

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days 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 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 5 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 below table (in the case of Listed Options, only if the Listed Options are exercised). There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than of the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or issued for non-cash consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table 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.

The table shows:

- (iii) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (iv) two examples of where the issue price of ordinary securities has decreased by 50% (rounded up) and increased by 100% as against the current market price.

Dilution example

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.004 50% decrease in Issue Price	\$0.007 Issue Price	\$0.014 100% increase in Issue Price
Current Variable "A" 358,257,502 Shares	10% Voting Dilution	35,825,750 Shares	35,825,750 Shares	35,825,750 Shares
	Funds raised	\$125,390.13	\$250,780.25	\$501,560.50
50% increase in current Variable "A" 537,386,253 Shares	10% Voting Dilution	53,738,625 Shares	53,738,625 Shares	53,738,625 Shares
	Funds raised	\$188,085.19	\$376,170.38	\$752,340.75
100% increase in current Variable "A" 716,515,004 Shares	10% Voting Dilution	71,651,500 Shares	71,651,500 Shares	71,651,500 Shares
	Funds raised	\$250,780.25	\$501,560.50	\$1,003,121.00

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.

- (ii) No Listing Options (including any Listed Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities;
 - (iii) 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 at 10%.
 - (iv) 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 Facility, based on the Shareholder's holding at the date of the Meeting.
 - (v) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) 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.
 - (vii) The issue price is \$0.007, being the closing price of the Shares on ASX on 20 October 2014.
- (c) The Company will only issue the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of the new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

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

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 the Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (iii) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (iv) the effect of the issue of the Equity Securities on the control of the Company;
- (v) the financial situation and solvency of the Company; and
- (vi) 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 Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

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

- (e) The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its 2013 annual general meeting. During the 12 month period preceding 27 November 2014, being the date of the Meeting, the Company issued a total of 243,891,502 Equity Securities (consisting of 197,641,502 Shares and 46,250,000 Options), representing approximately 139% of the total number of Equity Securities on issue at the commencement of that 12 month period.

Information relating to issues of Equity Securities by the Company in the 12 months prior to 27 November 2014 is as follows:

Date of Appendix 3B	Number of Equity Securities	Class of Equity Securities and summary of terms	Names of recipients or basis on which recipients determined	Issue price of Equity Securities and discount to the closing market price on the trading day prior to the issue	If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds If issued for non-cash consideration – a description of the consideration and the current value of the consideration
27 August 2014	40,000,000	Note 1	Shares issued to unrelated institutional and sophisticated investors.	\$0.005 per share (28.57% discount).	\$200,000 The funds will be used to continue the Company's existing exploration program, to progress the development of the West Africa assets and for working capital.
30 September 2014	12,641,502	Note 1	Share Purchase Plan subscribers	\$0.0053 per share (24.29% discount).	\$67,000 The funds will be used to continue the Company's existing exploration program, to progress the development of the West Africa assets and for working capital.
7 October 2014	i) 145,000,000 ii) 46,250,000	i) Note 1 ii) Options exercisable at \$0.02 on or before 1 December 2016	Shares and Options issued to unrelated institutional and sophisticated investors.	\$0.005 per share (28.57% discount). Options free attaching to Shares on a 1:4 basis	\$725,000 The funds will be used to continue the Company's existing exploration program, to progress the development of the West Africa assets and for working capital.

Notes:

1. Fully paid ordinary shares in the capital of the Company, ASX Code: TAR (terms are set out in the Constitution).

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

9. Resolutions 6, 7 and 8 – Issue of Incentive Options to Directors

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 4,500,000 Incentive Options to Messrs Frank Terranova, Myles Campion and Daniel Smith (**Related Parties**) on the terms and conditions set out below.

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 must:

- (1) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

- (2) 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 grant of the Incentive Options to the Related Parties constitutes giving a financial benefit and Messrs Frank Terranova, Myles Campion and Daniel Smith are related parties of the Company by virtue of being Directors.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Because each Director of the Company has a material personal interest in Resolutions 6 to 8 respectively, a quorum of Directors could not be formed to consider whether the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act. Consequently, Shareholder approval pursuant to Chapter 2E of the Corporations Act is required.

Corporations Act and Listing Rule Requirements

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Incentive Options to the Related Parties:

- (i) the related parties are Messrs Frank Terranova, Myles Campion and Daniel Smith, and they are related parties by virtue of being Directors;
- (ii) the maximum number of Incentive Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - A. 1,500,000 Incentive Options to Frank Terranova in accordance with Resolution 6;
 - B. 1,500,000 Incentive Options to Myles Campion in accordance with Resolution 7; and
 - C. 1,500,000 Incentive Options to Daniel Smith in accordance with Resolution 8.

- (iii) the Incentive Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (iv) the Incentive Options will be granted to the Related Parties for nil cash consideration, accordingly no funds will be raised;
- (v) the terms and conditions of the Incentive Options are set out in Schedule 1;
- (vi) the value of the Incentive Options and the pricing methodology is set out in Schedule 2;
- (vii) the current relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
Frank Terranova	7,160,000 ¹	1,540,000 ²
Myles Campion	Nil	Nil
Daniel Smith	Nil	Nil

Notes:

¹ held through Novabank Pty Ltd, a Company in which Mr Terranova is a director

² Unlisted Options exercisable at \$0.02 each on or before 1 December 2016.

- (viii) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Frank Terranova	\$48,000	\$40,000
Myles Campion	\$30,050	N/A
Daniel Smith	\$30,000	N/A

- (ix) if the Incentive Options granted to the Related Parties were exercised, a total of 4,500,000 Shares would be issued. This would increase the number of Shares on issue from 358,257,502 to 362,757,502 (assuming that no other Options are exercised and no shares other any contemplated by the Resolutions of this Notice are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 1.26%, comprising 0.42% by each Related Party.

The market price for Shares during the term of the Incentive Options would normally determine whether or not the Incentive Options are exercised. If, at any time any of the Incentive Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Incentive Options, there may be a perceived cost to the Company.

- (x) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	2.5 cents	30 January 2014
Lowest	0.4 cents	3 September 2014
Last	0.7 cents	20 October 2014

- (xi) the primary purpose of the grant of the Incentive Options to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors;
- (xii) Mr Bernard Aylward, the Managing Director, recommends that Shareholders vote in favour of Resolutions 6, 7 and 8 for the following reasons:
 - A. the grant of Incentive Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
 - B. the grant of the Incentive Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
 - C. it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Incentive Options upon the terms proposed;
- (xiii) Mr Terranova declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Incentive Options in the Company should Resolution 6 be passed. However, in respect of Resolutions 7 and 8, Mr Terranova recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (xii);
- (xiv) Mr Campion declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Incentive Options in the Company should Resolution 7 be passed. However, in respect of Resolutions 6 and 8, Mr Campion recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (xii);
- (xv) Mr Smith declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Incentive Options in the Company should Resolution 8 be passed. However, in respect of Resolutions 6 and 7, Mr Smith recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (xii);
- (xvi) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Incentive Options to be granted as well as the exercise price and expiry date of those Incentive Options; and

- (xvii) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 6, 7 and 8.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Incentive Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Incentive Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

10. Resolution 9 – Issue of Incentive Options to S Edis

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 1,500,000 Incentive Options to Mr Samuel Edis on the terms and conditions set out below.

Listing Rule 7.1

The effect of passing Resolution 9 is to allow the Directors to issue securities in accordance with the Resolution without those securities being included in the Company's 15% limit.

Mr Edis is not a related party of the Company.

Listing Rule 7.3 sets out the information to be given to shareholders in seeking approval under Listing Rule 7.1.

Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided about the proposed issue of Incentive Options to Mr Edis under Resolution 9:

- (i) The maximum number of securities to be issued is 1,500,000 Incentive Options exercisable at \$0.02 on or before 1 December 2016.
- (ii) The Incentive Options will be issued for nil consideration.
- (iii) The Incentive Options will be issued on one day (the issue date) 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 Listing Rules).
- (iv) The securities will be issued to Mr Samuel Edis or his nominee.
- (v) The full terms of the Incentive Options are set out in Schedule 1 to this Notice. Shares issued upon exercise of the Incentive Options will be fully paid ordinary Shares in the capital of the Company which will be issued on the same terms and conditions as the Company's existing Shares.
- (vi) No funds will be raised from the issue. The Incentive Options will be issued to provide a performance linked incentive component in Mr Edis' remuneration package to motivate and reward his performance in his role as Joint Company Secretary. In the event all of the Options are exercised, the Company will raise \$30,000, which will be used for general working capital.

A voting exclusion statement is included in the Notice.

Directors' recommendation

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

Definitions

In this Notice and the Explanatory Memorandum:

10% Placement Facility has the meaning given in Section 8.

\$ means Australian Dollars.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ending 30 June 2014.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors.

Business Day means:

- (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth.

Chair or **Chairman** means the person appointed to chair the Meeting conveyed by this Notice.

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; and
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

Company means Taruga Gold Limited.

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

Incentive Option means an option to acquire a Share on the terms and conditions as specified in Schedule 1.

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.

Listing Rules means the listing rules of ASX.

Meeting or Annual General Meeting means the meeting convened by this Notice (as adjourned from time to time).

Notice or Notice of Annual General Meeting means this notice of annual general meeting.

Option means an option to acquire a Share

Proxy Form means the proxy form attached to the Notice.

Related Parties has the meaning given in Section 9 of the Explanatory Memorandum.

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.

Resolution means a resolution contained in the Notice.

Section means a section contained in this Explanatory Memorandum.

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

Shareholder means a shareholder of the Company.

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

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

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

Schedule 1 – Terms and Conditions of Incentive Options

The Incentive Options granted will entitle the holder to subscribe for and be issued Shares as follows:

- (i) each Incentive Option entitles the holder to subscribe for and be issued one fully paid ordinary share in the Company upon payment of 2 cents per option.
- (ii) the Incentive Options shall lapse at 5.00pm Western Standard Time on 1 December 2016 (“Expiry Date”).
- (iii) the Incentive Options shall be exercisable wholly or in part by notice in writing to the Directors of the Company at any time until the expiry date on payment of 2 cents per option.
- (iv) no application will be made to the ASX for Official Quotation of the Incentive Options.
- (v) there are no participating rights or entitlements inherent in the options and holders of the options will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the option.

However, option holders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 9 business days before the date for determining entitlements to exercise the options.

- (vi) within 10 business days of receipt of a properly executed option notice and the required application monies the number of shares specified in the notice will be issued.
- (vii) shares issued on the exercise of the options will rank pari-passu with the then existing issued ordinary shares. The Company will apply for Official Quotation by ASX of all shares issued upon exercise of the options within three business days after the date of issue of those shares.
- (viii) in the event of any reorganisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of the Company, the options will be reorganised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (ix) the options are not transferable, without the prior written approval of the Directors.
- (x) Cessation of engagement or death of the holder.
 - (i) In the event of the death of a holder, the options in the name of such person shall remain in full force and effect for the full term up until the Expiry Date and may be exercised at any time up to the Expiry Date by the holder or a deceased holder's legal personal representative.
 - (ii) Subject to paragraph (iii) below, in the event of a holder ceasing to be engaged by the Company or any of its subsidiaries as either a consultant (directly or via any legal entity) or as an employee (“Termination”):
 - a) within 1 year of the date of issue of the options, the options may only be exercised by the holder within 1 month of such Termination and immediately following that 1 month shall forthwith lapse and have no further effect, unless otherwise determined by the board of Directors of the Company.
 - b) after 1 year of the date of issue of the options, then all of the options issued to that holder shall remain in full force and effect for the full term up until the Expiry.
 - (iii) in the event of a Termination following the takeover of, or Change in Control in, the Company, all options shall remain in full force and effect for the full term up until the Expiry Date.

Schedule 2 – Valuation of Incentive Options to be issued to Related Parties

The Incentive Options to be issued to the Related Parties pursuant to Resolutions 6, 7 and 8 have been valued by internal management.

Using the Black & Scholes option model, and based on the assumptions set out below, the Incentive Options were ascribed the following value:

Assumptions:	
Valuation date	9 October 2014
Market price of Shares	0.6 cents
Exercise price	2 cents
Expiry date (length of time from issue)	2 years
Risk free interest rate	2.93 %
Volatility (discount)	150 %
Indicative value per Incentive Option	0.3 cents
Total Value of Incentive Options	\$14,220
- Mr Frank Terranova	\$4,740
- Mr Myles Campion	\$4,740
- Mr Daniel Smith	\$4,740

Note: The valuation noted above is not necessarily the market price that the Incentive Options could be traded at and is not automatically the market price for taxation purposes.



PROXY FORM

The Secretary
Taruga Gold Limited

By delivery:
Office J, Level 2, 1139 Hay Street
West Perth WA 6005

By post:
PO Box 7653, Cloisters Square
Perth, WA 6850

By facsimile:

+61 8 9486 4799

Name of
Shareholder ¹:

Address of
Shareholder:

Number of Shares
entitled to vote:

Please mark ☒ to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

The Chairman of
the Meeting (mark
box)

☐

OR if you are **NOT** appointing the
Chairman of the meeting as your proxy,
please write the name of the person or
body corporate (excluding the registered
shareholder) you are appointing as your
proxy ²

or failing the person/body corporate named, or if no person/body is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Meeting of the Company to be held at the Amberley Business Centre, 3/1060 Hay St, West Perth WA 6005 on Thursday, 27 November at 9.00am WST.

Important – If the Chairman of the Meeting is your proxy or is appointed your proxy by default

Where you have appointed the Chairman of the Meeting as your proxy (or the Chairman becomes your proxy by default), you expressly authorise the Chairman to exercise your proxy on Resolution 1 (to adopt the Remuneration Report) (except where you have indicated a different voting intention above) even though Resolution 1 (to adopt the Remuneration Report) is connected directly with the remuneration of a member of key management personnel for the Company.

Step 2 – Instruction as to Voting on Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Frank Terranova	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Myles Campion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Re-election of Daniel Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Issue of Incentive Options – Frank Terranova	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Issue of Incentive Options – Myles Campion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Issue of Incentive Options – Daniel Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Issue of Incentive Options – Samuel Edis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.

Authorised signature/s

This section must be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Contact Name

Shareholder 2

Director

Contact Daytime Telephone

Shareholder 3

Director/Company Secretary

Date

¹Insert name and address of Shareholder

²Insert name and address of proxy

*Omit if not applicable

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate or Appointment of Representative prior admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy, of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicated the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received at the Perth office of the Company at PO Box 7653, Cloisters Square, Perth WA 6850 or Facsimile +61 8 9486 4799 not less than 48 hours prior to the time of commencement of the Meeting.