



CYGNUS GOLD

**Cygnus Gold Limited
ACN 609 094 653**

Notice of General Meeting

**The General Meeting of the Company will be held at
Ground Floor, 24 Outram Street, West Perth, Western Australia
on 23 December 2021, at 12.00pm (WST).**

**THE COMPANY IS TAKING PRECAUTIONS TO FACILITATE AN IN PERSON MEETING
IN ACCORDANCE WITH COVID-19 RESTRICTIONS. IF THE SITUATION IN RELATION
TO COVID-19 CHANGES IN A WAY AFFECTING THE ABILITY TO FACILITATE AN IN
PERSON MEETING AS PROPOSED, THE COMPANY WILL PROVIDE AN UPDATE
AHEAD OF THE MEETING BY WAY OF AN ASX ANNOUNCEMENT.**

The Notice of General Meeting 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 advisor prior to voting.

**Should you wish to discuss any matter, please do not hesitate to contact the
Company Secretary by telephone on (08) 6118 1627.**

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

Cygnus Gold Limited
ACN 609 094 653
(Company)

Notice of General Meeting

Notice is hereby given that a general meeting of Shareholders of Cygnus Gold Limited will be held at Ground Floor, 24 Outram Street, West Perth, Western Australia on Thursday, 23 December 2021 at 12.00pm (WST) (**Meeting**).

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

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday, 21 December 2021 at 5.00pm (WST).

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

Agenda

Resolution 1 – Ratification of prior issue of Placement Shares

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

'That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 7,987,863 Shares under Listing Rule 7.1A on the terms and conditions in the Explanatory Memorandum.'

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue or is a counterparty to the agreement being approved, or an associate of those persons.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2(a), (b), (c) and (d) - Approval of issue of Director Placement Shares

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

'That, pursuant to and in accordance with Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, Shareholders approve the issue of the following Securities:

- (a) up to 434,783 Shares to Mr Michael Bohm (or his nominees);
- (b) up to 260,870 Shares to Mr Shaun Hardcastle (or his nominees);
- (c) up to 217,391 Shares to Mr Simon Jackson (or his nominees); and
- (d) up to 664,310 Shares to Mr Ray Shorrocks (or his nominees),

on the terms and conditions in the Explanatory Memorandum.'

Voting Exclusion

The Company will disregard any votes cast in favour of

- (a) Resolution 2(a) by or on behalf of Mr Michael Bohm (or his nominees), or any other person who will obtain a material benefit as a result of the issue of the Securities (except a benefit solely by reason of being a Shareholder), or an associate of those persons;
- (b) Resolution 2(b) by or on behalf of Mr Shaun Hardcastle (or his nominees), or any other person who will obtain a material benefit as a result of the issue of the Securities (except a benefit solely by reason of being a Shareholder), or an associate of those persons;
- (c) Resolution 2(c) by or on behalf of Mr Simon Jackson (or his nominees), or any other person who will obtain a material benefit as a result of the issue of the Securities (except a benefit solely by reason of being a Shareholder), or an associate of those persons; and
- (d) Resolution 2(d) by or on behalf of Mr Ray Shorrocks (or his nominees), or any other person who will obtain a material benefit as a result of the issue of the Securities (except a benefit solely by reason of being a Shareholder), or an associate of those persons.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;

- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 3 - Ratification of prior issue of Advisor Options

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

'That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,000,000 Advisor Options to employees and advisors of the Company under Listing Rule 7.1 on the terms and conditions in the Explanatory Memorandum.'

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue or is a counterparty to the agreement being approved, or an associate of those persons.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 4 - Approval of issue of Director Options to Mr Ray Shorrocks

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

'That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 3,500,000 Director Options to Mr Ray Shorrocks (or his nominees) on the terms and conditions in the Explanatory Memorandum.'

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Ray Shorrocks (or his nominees), or any other person who will obtain a material benefit as a result of the issue of the Securities (except a benefit solely by reason of being a Shareholder), or an associate of those persons.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibitions

In accordance with sections 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

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

Further, in respect of Resolution 4, in accordance with section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party.

However, the above prohibition does not apply if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) it is not cast on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party.

Please note: If the Chair is a person referred to in the section 224 Corporations Act voting prohibition statement above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed as proxy in writing and the Proxy Form specifies how the proxy is to vote on the relevant Resolution.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

BY ORDER OF THE BOARD



Michael Naylor
Joint Company Secretary
Cygnus Gold Limited
Dated: 22 November 2021

Cygnus Gold Limited
ACN 609 094 653
(Company)

Explanatory Memorandum

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Ground Floor, 24 Outram Street, West Perth, Western Australia on Thursday, 23 December 2021 at 12.00pm (WST).

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

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

Section 2	Action to be taken by Shareholders
Section 3	Resolution 1 – Ratification of prior issue of Placement Shares
Section 4	Resolution 2(a), (b), (c) and (d) - Approval of issue of Director Placement Shares
Section 5	Resolution 3 - Ratification of prior issue of Advisor Options
Section 6	Resolution 4 - Approval of issue of Director Options to Mr Ray Shorrocks
Schedule 1	Definitions
Schedule 2	Terms and Conditions of Options

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

2. Action to be taken by Shareholders

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

2.1 Impact of COVID-19 on the Meeting

The health and safety of members and personnel, and other stakeholders, is the highest priority and the Company is acutely aware of the current circumstances resulting from COVID-19.

Based on the best information available to the Board at the time of the Notice, the Board considers it will be in a position to hold an 'in-person' meeting to provide Shareholders with a reasonable opportunity to participate in and vote at the Meeting, while complying with the

COVID-19 restrictions regarding gatherings. The Company, however, strongly encourages Shareholders to submit proxies prior to the Meeting.

The Company will provide an update ahead of the Meeting by releasing an ASX announcement if the situation in relation to COVID-19 were to change in a way that affected the position above.

2.2 **Voting in person**

Given the current COVID-19 circumstances and in the interests of public health and safety of our Shareholders, the Company will implement arrangements to allow Shareholders to physically attend the Meeting in accordance with COVID-19 protocols and government advice.

The Company will strictly comply with applicable limitations on indoor gatherings in force at the time of the Meeting. If you attend the Meeting in person, you will be required to adhere to COVID-19 protocols in place at the time of the Meeting.

2.3 **Proxies**

Shareholders are encouraged to vote by voting online or by completing a Proxy Form.

Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Lodgement instructions (which include the ability to lodge proxies electronically) are set out in the Proxy Form to the Notice of Meeting.

Proxy Forms can be lodged:

- | | |
|----------|--|
| Online: | At www.investorvote.com.au |
| By mail: | Computershare Investor Services Pty Ltd
GPO Box 242
Melbourne VIC 3001 |
| By fax: | 1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia) |

2.4 **Chair's voting intentions**

The Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention.

3. **Resolution 1 – Ratification of prior issue of Placement Shares**

3.1 **General**

On 8 November 2021, the Company announced that it had received commitments for a placement to raise a total of approximately \$1,100,000 (before costs) (**Placement**) via the issue of:

- (a) 7,987,863 Shares at \$0.115 each to sophisticated and professional investors (**Placement Shares**); and

- (b) 1,577,354 Shares at \$0.115 each to the Directors (or their respective nominees) pursuant to their participation in the Placement (**Director Placement Shares**).

On 16 November 2021, the Company issued the Placement Shares within the 10% limit permitted under Listing Rule 7.1A, without the need for prior Shareholder approval.

The issue of the Director Placement Shares is subject to Shareholder approval under Resolution 2(a), (b), (c) and (d).

Resolution 1 seeks the approval of Shareholders pursuant to Listing Rule 7.4 to ratify the issue of the Placement Shares.

3.2 **Listing Rules 7.1, 7.1A and 7.4**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%. The Company obtained this approval at its annual general meeting held on 31 May 2021.

The Placement does not fit within any of the exceptions to Listing Rule 7.1A and, as the issue of the Placement Shares has not yet been ratified by Shareholders, it effectively uses up the Company's placement capacity under Listing Rule 7.1A, reducing the Company's capacity to issue further Equity Securities without Shareholder approval under Listing 7.1A.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of Equity Securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1A, and so does not reduce the company's capacity to issue further Equity Securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 1 seeks Shareholder approval to the issue of the Placement Shares under and for the purposes of Listing Rule 7.4.

If Resolution 1 is passed, the issue of the Placement Shares will be excluded in calculating the Company's 10% limit in Listing Rule 7.1A, effectively increasing the number of Equity Securities it can issue without Shareholder approval until the earlier of 31 May 2022, the Company's next annual general meeting, or the date Shareholders approve a transaction under Listing Rule 11.1.2 or 11.2.

If Resolution 1 is not passed, the issue of the Placement Shares will continue to be included in the Company's 10% limit under Listing Rule 7.1A, effectively decreasing the number of Equity Securities the Company can issue without Shareholder approval until the earlier of 31 May 2022, the Company's next annual general meeting, or the date Shareholders approve a transaction under Listing Rule 11.1.2 or 11.2.

3.3 **Specific information required by Listing Rule 7.5**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Placement Shares:

- (a) The Placement Shares were issued to approximately twenty sophisticated and professional investors already known to the Company, none of whom is a related party of the Company and none of whom is considered to be a Material Investor for the purposes of section 7.4 of ASX Guidance Note 21.
- (b) The Placement Shares were issued on 16 November 2021.
- (c) The Placement Shares were issued at \$0.115 per Share.
- (d) The Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.
- (e) The proceeds from the issue of the Placement Shares are intended to be used for:
 - (i) the exploration activities in the south-west including reconnaissance fieldwork and surface sampling over geophysical anomalies to generate targets for follow up drilling at the Company's 100% owned Julimar East Project and a ground based electromagnetic survey program is being designed to cover the prospective stratigraphy at the Company's 100% owned Bencubbin Project;
 - (ii) business development opportunities; and
 - (iii) for general working capital;
- (f) the Placement Shares were issued under a deal sheet pursuant to which the Placement participants provided binding commitments to subscribe for the Placement Shares on the terms set out in this Notice and otherwise on terms considered standard for agreements of this nature; and
- (g) a voting exclusion statement is included in the Notice.

3.4 **Board recommendation**

Resolution 1 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 1.

The Chair intends to exercise all available proxies in favour of Resolution 1.

4. **Resolution 2(a), (b), (c) and (d) - Approval of issue of Director Placement Shares**

4.1 **General**

Refer to Section 3.1 for details of the Placement.

Directors Michael Bohm, Shaun Hardcastle, Simon Jackson and Ray Shorrocks (together, the **Related Parties**), or their respective nominees, each wish to participate in the Placement, subject to Shareholder approval, as follows:

Related Party	Director Placement Shares
Michael Bohm	434,783
Shaun Hardcastle	260,870
Simon Jackson	217,391
Ray Shorrocks	664,310

Resolution 2(a),(b),(c) and (d) seek the approval of Shareholders pursuant to Listing Rule 10.11 and section 195(4) of the Corporations Act for the issue of up to 1,577,354 Director Placement Shares to the Related Parties (or their nominees) arising from their participation in the Placement (**Participation**).

4.2 Listing Rule 10.11

Listing Rule 10.11 provides that, unless one of the exceptions in Listing Rule 10.12 applies, an entity must not issue or agree to issue Equity Securities to any of the following persons without the approval of the holders of its ordinary securities:

- (a) a related party;
- (b) a person who is or was at any time in the 6 months before the issue or agreement to issue, a substantial (30%+) holder in the entity;
- (c) a person who is or was at any time in the 6 months before the issue or agreement to issue, a substantial (10%+) holder in the entity and who has nominated a director to the board of the entity pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an associate of a person referred to in Listing Rules 10.11.1 to 10.11.13; or
- (e) a person whose relationship with the Company or a person referred to in Listing Rules 10.11.1 to 10.11.4, is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders.

The Related Parties fall within the category stipulated under Listing Rule 10.11.1 and the issue of the Director Placement Shares to the Related Parties does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolution 2(a),(b),(c) and (d) seek Shareholder approval for the issue of up to 1,704,750 Director Placement Shares to the Related Parties (or their respective nominees) under and for the purposes of Listing Rule 10.11.

If each of the Resolutions which form part of Resolution 2 are passed, the Company will be able to proceed with the issue of the Director Placement Shares to the Related Parties (or their respective nominees), and raise up to \$181,395.71 (before costs).

If any of the Resolutions which form part of Resolution 2 are not passed, the Company will not be able to proceed with the issue of those Director Placement Shares to the Related Parties, and may need to raise additional funds through an equity capital raising using any remaining

capacity under Listing Rules 7.1 or 7.1A, debt financing, joint ventures, licensing arrangements or other means.

4.3 **Specific information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) The Director Placement Shares will be issued to the Related Parties, being Directors Michael Bohm, Shaun Hardcastle, Simon Jackson and Ray Shorrocks (or their respective nominees).
- (b) Pursuant to Listing Rule 10.11.1, Messrs Michael Bohm, Shaun Hardcastle, Simon Jackson and Ray Shorrocks are related parties by virtue of being Directors.
- (c) The maximum number of Director Placement Shares to be issued to the Related Parties is 1,577,354 in the following proportions:
 - (i) up to 434,783 Director Placement Shares to Mr Michael Bohm (or his nominee);
 - (ii) up to 260,870 Placement Shares to Mr Shaun Hardcastle (or his nominee);
 - (iii) up to 217,391 Placement Shares to Mr Simon Jackson (or his nominee); and
 - (iv) up to 664,310 Placement Shares to Mr Ray Shorrocks (or his nominee).
- (d) The Director Placement Shares will be issued no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (e) The issue price of the Director Placement Shares is \$0.115 per Share.
- (f) The Director Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (g) The funds raised will be used for the same purposes as all other funds raised under the Placement as set out in Section 3.3(e).
- (h) The issue of the Director Placement Shares is being made on terms identical to the participants under the Placement and is not intended to remunerate or incentivise the Related Parties.
- (i) The Related Parties have provided firm commitments to subscribe for the Director Placement Shares and there are no other material terms of their commitment.
- (j) a voting exclusion statement is included in the Notice.

4.4 Chapter 2E of the Corporations Act

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 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 Participation will result in the issue of Shares which constitutes giving a financial benefit and the Related Parties are related parties of the Company by virtue of being Directors

The Board considers that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Related Parties on the same terms as Shares issued to the other participants in the Placement unrelated to the Company and as such the giving of the financial benefit is on arm's length terms.

4.5 Section 195 of the Corporations Act

Section 195 of the Corporations Act provides that a director of a public company must not vote or be present during meetings of directors when matters in which that director holds a material personal interest are being considered.

The Directors have a material personal interest in the outcome of each of their respective Resolutions under Resolution 2(a),(b),(c) and (d) and have exercised their right under section 195(4) of the Corporations Act to put the issue of the Director Placement Shares to the Directors to Shareholders to resolve upon.

4.6 Board Recommendation

Resolution 2(a),(b),(c) and (d) are each an ordinary resolution.

The Directors decline to make a recommendation to Shareholders in relation to Resolution 2(a),(b),(c) and (d) due to their material personal interests in the outcome of the Resolutions.

The Chair intends to exercise all available proxies in favour of Resolution 2(a),(b),(c) and (d).

5. Resolution 3 - Ratification of prior issue of Advisor Options

5.1 General

On 8 November 2021, in connection with the Placement, the Company announced the proposed issue of 8,500,000 unquoted Options, comprising:

- (a) 5,000,000 Options to employees and advisors of the Company (**Advisor Options**), the subject of this Resolution; and
- (b) 3,500,000 Options to Mr Ray Shorrocks (or his nominees) subject to Shareholder approval (**Director Options**) (refer to Resolution 4).

The Company issued the Advisor Options on 17 November 2021.

Resolution 3 seeks shareholder approval pursuant to Listing Rule 7.4 to ratify the issue of the Advisor Options.

Shareholder approval is sought under Resolution 4 for approval to issue the Directors Options.

5.2 **Listing Rules 7.1 and 7.4**

Broadly speaking, Listing Rule 7.1 limits the ability of a listed entity from issuing or agreeing to issue Equity Securities over a 12 month period which exceeds 15% of the number of fully paid ordinary Shares it had on issue at the start of the 12 month period.

The issue of the Advisor Options does not fit within any of the exceptions to Listing Rule 7.1 and, as it has not yet been approved by Shareholders, effectively uses up part of the Company's 15% placement capacity under Listing Rule 7.1. This reduces the Company's capacity to issue further Equity Securities without Shareholder approval under that Listing Rule for the 12 month period following the issue of the Advisor Options.

Listing Rule 7.4 provides an exception to Listing Rule 7.1. It provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The effect of Shareholders passing Resolution 3 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

If Resolution 3 is passed, 5,000,000 Advisor Options will be excluded in calculating the Company's 15% limit in Listing Rule 7.1 effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue date.

If Resolution 3 is not passed, 5,000,000 Advisor Options will continue to be included in the Company's 15% limit under Listing Rule 7.1 effectively decreasing the number of Equity Securities the Company can issue or agree to issue without obtaining prior Shareholder approval, to the extent of 5,000,000 Equity Securities for the 12 month period following the issue of the Advisor Options.

5.3 **Specific information required by Listing Rule 7.5**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Advisor Options:

- (a) The Advisor Options were issued to the following employees and advisors of the Company (or their respective nominees):
 - (i) 2,250,000 Advisor Options to Michael Naylor;
 - (ii) 2,500,000 Advisor Options to Steve Parsons; and
 - (iii) 250,000 Advisor Options to Susan Field.
- (b) A total of 5,000,000 Advisor Options were issued.

- (c) The Advisor Options are exercisable at \$0.16 each, will expire 3 years from the date of issue and were otherwise be granted on the terms and conditions set out in Schedule 2.
- (d) The Advisor Options were issued on 17 November 2021.
- (e) The Advisor Options were issued for nil cash consideration to attract and retain the services of employees and advisors to the Company and as such, no funds were raised from the issue.
- (f) There are no other material terms to the agreement for the subscription of the Advisor Options.
- (g) A voting exclusion statement is included in the Notice.

5.4 **Additional information**

Resolution 3 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 3.

6. **Resolution 4 - Approval of issue of Director Options to Mr Ray Shorrocks**

6.1 **General**

As announced on 8 November 2021, the Company is proposing, subject to obtaining Shareholder approval, to issue 3,500,000 Director Options to Mr Ray Shorrocks as an incentive component of his remuneration package as Executive Chairman.

The Director Options provide an incentive component to Mr Shorrocks' remuneration package, and align his interests with those of Shareholders. The Board considers that the number of Director Options to be granted to Mr Shorrocks is commensurate with his value to the Company and is an appropriate method to provide cost effective remuneration. The Board believes it is important to offer these Director Options to continue to attract and maintain highly experienced and qualified Board members.

Resolution 4 seeks the approval of Shareholders under and for the purposes of Listing Rule 10.11 to approve the issue of the Director Options.

6.2 **Listing Rule 10.11**

A summary of Listing Rule 10.11 is provided in Section 4.2.

The proposed issue of Director Options to Mr Shorrocks (or his nominees) falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

If Resolution 4 is passed, the Company will be able to proceed with the issue of the Director Options as an incentive component of Mr Shorrocks' remuneration as Executive Chairman.

If Resolution 4 is not passed, the Company will not be able to proceed with the issue of the Director Options and the Company may need to consider other forms of incentive remuneration.

6.3 **Specific information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of Director Options to Mr Shorrocks (or his nominees):

- (a) The Director Options will be issued to Mr Ray Shorrocks (or his nominees).
- (b) Mr Shorrocks is a related party of the Company by virtue of being a Director and falls into the category stipulated by Listing Rule 10.11.1. In the event that the Director Options are issued to a nominee of Mr Shorrocks, that person will fall into the category stipulated by Listing Rule 10.11.4.
- (c) The current total annual remuneration package for Mr Shorrocks as at the date of this Notice is (\$75,000 inclusive of superannuation).
- (d) The Director Options will be issued to Mr Shorrocks (or his nominees) as soon as practicable following the Meeting and in any event not later one month after the Meeting.
- (e) The Director Options will be issued with an exercise price of \$0.16 and an expiry date of 3 years from the date of issue and otherwise on the terms set out in Schedule 2. The Director Options will be issued no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (f) The Director Options will be issued for nil cash consideration as they will be issued as part of Mr Shorrocks' remuneration package. Accordingly, no funds will be raised as a result of the issue.
- (g) The Director Options are being issued as an incentive component of Mr Shorrocks' remuneration as Executive Chairman. The material terms of Mr Shorrocks' Executive Services Agreement are:
 - (i) commencement date: 8 November 2021;
 - (ii) remuneration: \$75,000 per annum (inclusive of superannuation);
 - (iii) either party may terminate the Agreement by providing the other party with three months written notice or payment in lieu of notice; and
 - (iv) the Company may terminate the Agreement for cause at any time without notice if serious misconduct has occurred, in which case Mr Shorrocks is not entitled to any additional payments or Notice.
- (h) a voting exclusion statement is included in the Notice.

6.4 **Chapter 2E of the Corporations Act**

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 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 proposed issue of the Director Options constitutes giving a financial benefit to a related party of the Company.

It is the view of the Board that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, the Company is seeking approval for the purposes of Chapter 2E of the Corporations Act in respect of the Director Options proposed to be issued to Mr Shorrocks.

6.5 Information required under Chapter 2E of the Corporations Act

Pursuant to and in accordance with section 219 of the Corporations Act, the following information is provided in relation to the proposed issue of the Director Options:

(a) Identity of the related parties to whom Resolution 4 permit financial benefits to be given

Refer to Section 6.3(a) above.

(b) Nature of the financial benefit

Resolution 4 seeks Shareholder approval to allow the Company to issue the Director Options to Mr Shorrocks (or his nominee).

The Director Options are to be issued on the terms and conditions in Schedule 2.

The Shares to be issued upon conversion of the Director Options will be fully paid ordinary Shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares. The Company will apply for official quotation of the Shares on ASX.

(c) Director recommendations

The Board (other than Mr Shorrocks who has a personal interests in the outcome of this Resolution) recommends that Shareholders vote in favour of Resolution 4.

(d) Valuation of financial benefit

An independent valuation of the Director Options is in Schedule 3.

(e) Remuneration of Directors

Refer to Section 6.3(c) above.

(f) **Existing relevant interests of Directors**

At the date of this Notice, Mr Shorrocks holds the following relevant interests in Equity Securities of the Company:

Director	Shares	Options
Ray Shorrocks ¹	2,051,281	2,000,000

Notes:

1. Securities are held as follows:
 - (a) Spring Street Holdings Pty Ltd, an entity in which Mr Shorrocks has a relevant interest:
 - (i) 1,606,837 Shares; and
 - (ii) 2,000,000 Options; and
 - (b) 444,444 Shares held by Spring Street Holdings Pty Ltd, an entity in which Mr Shorrocks has a relevant interest.

Assuming that Resolution 4 for the issue of the Director Options is approved by Shareholders, all of the Director Options are issued and exercised into Shares, and no other Equity Securities are issued or exercised (including any existing Options held by Mr Shorrocks as at the date of this Notice), Mr Shorrocks interest in the Company would represent approximately 5.12% of the Company's issued Share capital.

(g) **Dilution**

The issue of the Director Options will have a diluting effect on the percentage interest of existing Shareholders' holdings if the Director Options are exercised. The exercise of all of the Director Options will result in a total dilution of all other Shareholders' holdings of 3.23% on a fully diluted basis (assuming that all Options are exercised). This assumes the current Share capital structure as at the date of this Notice and that no Shares are issued other than the Shares issued on exercise of the Director Options. The actual dilution will depend on the extent that additional Shares are issued by the Company.

(h) **Trading history**

The highest and lowest closing market sale prices of the Shares on ASX during the 12 months prior to the date of this Notice were:

Highest: \$0.20 per Share on 19 November 2020

Lowest: \$0.10 per Share on 29 June 2021

The latest available closing market sale price of the Shares on ASX prior to the date of this Notice was \$0.17 per Share on 10 November 2021.

(i) **Corporate governance**

Ray Shorrocks is an executive Director of the Company and therefore the Board (other than Mr Shorrocks) believe that the grant of the Director Options is in line with Recommendation 8.2 of the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**).

(j) **Taxation consequences**

There are no taxation consequences for the Company arising from the issue of the Director Options (including fringe benefits tax).

(k) **Other information**

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 Resolution 4.

6.6 **Additional information**

Resolution 4 is an ordinary resolution.

The Board (other than Mr Shorrocks who has a personal interest in the outcome of this Resolution) recommends that Shareholders vote in favour of Resolution 4.

6.7 **Board recommendation**

Resolution 4 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 4.

Schedule 1 Definitions

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

\$	means Australian Dollars.
ASX	means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Advisor Options	has the meaning given in Section 5.1.
Board	means the board of Directors.
Chair	means the person appointed to chair the Meeting of the Company convened by the Notice.
Company	means Cygnus Gold Limited (ACN 609 094 653).
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Director Options	has the meaning given in Section 5.1.
Director Placement Shares	has the meaning given in Section 3.1.
Equity Security	has the same meaning as in the Listing Rules.
Explanatory Memorandum	means the explanatory memorandum which forms part of the Notice.
July Placement	has the meaning given in Section 6.1.
Listing Rules	means the listing rules of ASX.
Material Investor	<p>means, in relation to the Company:</p> <ul style="list-style-type: none">(a) a related party;(b) Key Management Personnel;(c) a substantial Shareholder;(d) an advisor; or(e) an associate of the above, <p>who received Shares which constituted more than 1% of the Company's issued capital at the time of issue.</p>
Meeting	has the meaning given in the introductory paragraph of the Notice.
Notice	means this notice of meeting.

Participation	has the meaning given in Section 4.1
Placement	has the meaning given in Section 3.1.
Placement Shares	has the meaning given in Section 3.1.
Proxy Form	means the proxy form attached to the Notice.
Related Parties	means the Directors Michael Bohm, Shaun Hardcastle, Simon Jackson and Ray Shorrocks.
Resolution	means a resolution referred to in the Notice.
Schedule	means a schedule to the Notice.
Section	means a section of the Explanatory Memorandum.
Securities	means any Equity Securities of the Company in the form of Shares.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a Share.
WST	means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 Terms and Conditions of Options

The following terms and conditions apply to the Advisor Options and Director Options.

1. **(Entitlement)** The Options entitle the Option holder (**Optionholder**) to subscribe for one Share upon the exercise of each Option.
2. **(Quotation of Options)** The Company will not apply for official quotation of the Options on ASX.
3. **(Issue Price)** The Options will be issued for nil cash consideration per Option.
4. **(Exercise price and Expiry date)** Each Option (unless otherwise specified) has an exercise price of \$0.16 (**Exercise Price**) and will expire at 5.00pm (AWST) on the date that is 3 years from the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
5. **(Notice of Exercise)** The Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:
 - (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
 - (b) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
 - (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
6. **(Timing of issue of Shares and quotation of Shares on exercise)** As soon as practicable after the valid exercise of an Option by the Optionholder, the Company will:
 - (a) issue, allocate or cause to be transferred to the Optionholder the number of Shares to which the Optionholder is entitled;
 - (b) issue a substitute Certificate for any remaining unexercised Options held by the Optionholder;
 - (c) if required and subject to paragraph 7, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; and
 - (d) do all such acts, matters and things to obtain the grant of quotation of the Shares by ASX in accordance with the Listing Rules.

All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

7. **(Restrictions on transfer of Shares)** If the Company is unable to give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, Shares issued on exercise of the Options may not be traded until 12 months after their issue unless the Company, at its sole discretion, elects to issue a prospectus pursuant to section 708A(11) of the Corporations Act.
8. **(Quotation of Shares on exercise)** The Company will apply for official quotation on ASX of all Shares issued upon exercise of the Options within 5 Business Days after the date of issue of those Shares.
9. **(Options transferrable)** The Options will not be transferable.
10. **(Participation in new issues)** There are no participation rights or entitlements inherent in the Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the Optionholder notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.
11. **(Adjustment for bonus issues of Shares)** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
 - (a) the number of Shares which must be issued on the exercise of an Option will not be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
 - (b) no change will be made to the Exercise Price.
12. **(Adjustment for entitlement issue)** If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will not be adjusted following an entitlement offer.
13. **(Adjustments for reorganisation)** If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder will be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

Schedule 3 Valuation of Director Options

10 November 2021

Cygnus Gold Limited
Ground floor, 24 Outram Street
West Perth, WA 6005

Attention: Michael Naylor

RE: Valuation of Cygnus Gold Limited options

Dear Michael,

1. Introduction

You have requested that we determine the fair market value of one tranche of stock options (the **Options**) in accordance with AASB 2 – Share Based Payment. The Options are proposed to be issued by Cygnus Gold Limited (the **Company**) to a director of the Company following shareholder approval at the Company's next General Meeting of Shareholders. As a result, we have conducted the valuation as at 9 November 2021 (**Valuation Date**), being the most recent concluded market day prior to the date of this report.

Our valuation, summarised below, concludes at a per-option value and total-tranche value for the Options. Our valuation of the Options as at the Valuation Date is contained in the following letter, including Annexures, and is subject to the attached statement of limiting conditions.

2. Summary of the Options

- The Options consist of 3,500,000 options to be issued to a director of the Company subject to approval of shareholders at the next General Meeting of the Company.
- Each individual option is exercisable for one ordinary share in the Company at an exercise price of \$0.16/share.
- There are no vesting conditions and the Options can be exercised at any time prior to expiry.
- The Options expire three years after their grant date and following which the Options lapse. For the purposes of this valuation, we have assumed that the grant date of the Options is the Valuation Date, being the most recently concluded market day prior to the date of this report.
- We understand that there are no restrictions on disposal of shares after exercise of the Options, and that there are no other market-based or non-market based vesting conditions, or any other conditions, that impact on the value of the Options.

3. Summary of AASB 2 Share-based Payment

Table 1 below sets out the pertinent clauses of AASB 2 – Share-based Payment as they relate to the Options.

Table 1: AASB 2 – Share Based Payment

AASB Paragraph	Comment
2 (a) <i>Applicable paragraph</i>	<p>An entity shall apply this Standard in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all of the goods or services received, including:</p> <ul style="list-style-type: none"> (a) equity-settled share-based payment transactions; (b) cash-settled share-based payment transactions; and (c) transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, <p>except as noted in paragraphs 3A-6. In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this Standard applies.</p>
22 <i>Corporate Advisory comment</i>	<p>The Options are equity-settled share-based payment transactions, in which the entity (Cygnus Gold Limited) receives goods or services (employment bonus of the Company's director) as consideration for equity instruments of the entity (including shares or share options).</p>
10 & 11	<p>For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.</p> <p>To apply the requirements of paragraph 10 to transactions with employees and others providing similar services, the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received, as explained in paragraph 12. The fair value of those equity instruments shall be measured at grant date.</p> <p>We believe that the entity cannot reliably measure the goods or services received by the employment of the Company's director along with the corresponding increase in equity. Accordingly, per clause 10, we have defaulted to measuring the goods or services received and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.</p> <p>Given that the Options essentially allow the holder to receive a fully-paid ordinary share in the Company (whose value can be reliably estimated), subject to certain vesting criteria, we are of the view that the fair value of the equity instruments granted can be reliably estimated causing AASB 2 clauses 24 – 25 to be irrelevant.</p>

Table 1: AASB 2 – Share Based Payment

AASB Paragraph	Comment
14, 15	<p>If the equity instruments granted vest immediately, the counterparty is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. In the absence of evidence to the contrary, the entity shall presume that services rendered by the counterparty as consideration for the equity instruments have been received. In this case, on grant date the entity shall recognise the services received in full, with a corresponding increase in equity.</p> <p>If the equity instruments granted do not vest until the counterparty completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The entity shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity. For example:</p> <p>(a) If an employee is granted share options conditional upon completing three years' service, then the entity shall presume that the services to be rendered by the employee as consideration for the share options will be received in the future, over that three-year vesting period.</p> <p>(b) If an employee is granted share options conditional upon the achievement of a performance condition and remaining in the entity's employ until that performance condition is satisfied, and the length of the vesting period varies depending on when that performance condition is satisfied, the entity shall presume that the services to be rendered by the employee as consideration for the share options will be received in the future, over the expected vesting period. The entity shall estimate the length of the expected vesting period at the grant date, based on the most likely outcome of the performance condition. If the performance condition is a <u>market condition</u>, the estimate of the length of the expected vesting period shall be consistent with the assumption used in estimating the fair value of the options granted, and shall not be subsequently revised. If the performance condition is <u>not a market condition</u>, the entity shall revise its estimate of the length of the vesting period, if necessary, if subsequent information indicates that the length of the vesting period differs from previous estimates.</p> <p>We have been instructed that the Options are not subject to any vesting conditions or require the holder to complete any specified period of service. As a result, we consider that (per paragraph 14) that the Company should recognise the services rendered by the holder of the Options in full on the grant date. If, in the alternative, there are vesting conditions pertaining to the director's service period, the Company should recognise the services rendered over a different period.</p>
16	<p>For transactions measured by reference to the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted (subject to the requirements of paragraphs 19-22).</p> <p>We have been instructed that the Options are subject to shareholder approval at the Company's next General Meeting, and have therefore used the date of the most recent available market data as the Valuation Date for this purposes of this letter. Accordingly,</p>

Table 1: AASB 2 – Share Based Payment

AASB Paragraph	Comment
	<p>we have used 9 November 2021, being the most recently concluded market day prior to the date of this report, as the valuation date.</p> <p>On 9 November 2021, the shares of the Company closed at \$0.16. We have used this price as accurately reflecting the per share price of a fully-paid ordinary share in the Company as at the Valuation Date.</p>
19	<p>A grant of equity instruments might be conditional upon satisfying specified <i>vesting conditions</i>. For example, a grant of shares or share options to an employee is typically conditional on the employee remaining in the entity's employ for a specified period of time. There might be performance conditions that must be satisfied, such as the entity achieving a specified growth in profit or a specified increase in the entity's share price. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition, for example, the counterparty fails to complete a specified service period, or a performance condition is not satisfied, subject to the requirements of paragraph 21.</p> <p>The granting of shares from exercise of the Options is conditional upon meeting a performance condition, namely, share price appreciation above the exercise price. We consider this performance condition to be a market condition and will take it into account when determining the fair value of the Options.</p> <p>We have been instructed that there are no non-market-based vesting conditions and so no adjustment to the number of equity instruments included in the valuation is necessary.</p>
20	<p>To apply the requirements of paragraph 19, the entity shall recognise an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested, subject to the requirements of paragraph 21.</p> <p>The Company must estimate the probability of achievement of each non-market-based vesting condition (expressed as a % probability) and apply that percentage to the total number of options comprising the Options, to determine the number of equity instruments expected to vest as at the Valuation Date. Given that there are no non-market-based vesting conditions, this clause is not applicable.</p>
21	<p>Market conditions, such as a target share price upon which vesting (or exercisability) is conditioned, shall be taken into account when estimating the fair value of the equity</p>

Table 1: AASB 2 – Share Based Payment

AASB Paragraph	Comment
	<p>instruments granted. Therefore, for grants of equity instruments with market conditions, the entity shall recognise the goods or services received from a counterparty who satisfies all other vesting conditions (e.g. services received from an employee who remains in service for the specified period of service), irrespective of whether that market condition is satisfied.</p> <p>We have determined that vesting of the Options is subject to market conditions (through the exercise price) and therefore, these market conditions must be taken into account when estimating the fair value of the Options.</p>
AG B4	<p>For share options granted to employees, in many cases market prices are not available, because the options granted are subject to terms and conditions that do not apply to traded options. If traded options with similar terms and conditions do not exist, the fair value of the options granted shall be estimated by applying an option pricing model.</p> <p>We have used the Black-Scholes Option Pricing (BSOP) methodology to estimate the fair value of the Options. The valuation under the BSOP methodology is discussed in the next section titled, <i>Valuation of the Options</i>.</p>
AG B5	<p>The entity shall consider factors that knowledgeable, willing market participants would consider in selecting the option pricing model to apply. For example, many employee options have long lives, are usually exercisable during the period between vesting date and the end of the options' life, and are often exercised early. These factors should be considered when estimating the grant date fair value of the options. For many entities, this might preclude the use of the Black-Scholes-Merton formula, which does not allow for the possibility of exercise before the end of the option's life and may not adequately reflect the effects of expected early exercise. It also does not allow for the possibility that expected volatility and other model inputs might vary over the option's life. However, for share options with relatively short contractual lives, or that must be exercised within a short period of time after vesting date, the factors identified above may not apply. In these instances, the Black-Scholes-Merton formula may produce a value that is substantially the same as a more flexible option pricing model.</p> <p>There is substantial empirical evidence (including a paper¹ by the author of the Black-Scholes-Merton model) showing that the value a European call option (one that can be exercised only on expiry) and an American call option (one that can be exercised prior to expiry) are the same. A difference in values between an American and European option arise only in certain circumstances, such as the presence of significant financial frictions, or prior to a significant dividend payment. Therefore, we consider the effect of early exercise on the value of the Options to be immaterial.</p> <p>Further, we consider the terms of the Options to be sufficiently simple enough for the BSOP methodology to be an appropriate pricing model to use in their valuation.</p>

¹Theory of Rational Option Price (Robert Merton, published 1973) showed that an American call option (one that can be exercised before expiry) on a non-dividend paying stock should not be exercised prematurely.

Table 1: AASB 2 – Share Based Payment

AASB Paragraph	Comment
AG B6	<p>All option pricing models take into account, as a minimum, the following factors:</p> <ul style="list-style-type: none"> (a) the exercise price of the option; (b) the life of the option; (c) the current price of the underlying shares; (d) the expected volatility of the share price; (e) the dividends expected on the shares (if appropriate); and (f) the risk-free interest rate for the life of the option. <p>In the following section titled, <i>Valuation of the Options</i>, the above factors are taken into account in the valuation of the Options.</p>
AG B7	<p>Other factors that knowledgeable, willing market participants would consider in setting the price shall also be taken into account (except for vesting conditions and reload features that are excluded from the measurement of fair value in accordance with paragraphs 19-22).</p> <p>Based on our instructions, there are no other factors a knowledgeable, willing market participant would consider in setting the price of the Options.</p>
AG B34 & B35	<p>Conversely, if the employees are not entitled to dividends or dividend equivalents during the vesting period (or before exercise, in the case of an option), the grant date valuation of the rights to shares or options should take expected dividends into account. That is to say, when the fair value of an option grant is estimated, expected dividends should be included in the application of an option pricing model. When the fair value of a share grant is estimated, that valuation should be reduced by the present value of dividends expected to be paid during the vesting period.</p> <p>Option pricing models generally call for expected dividend yield. However, the models may be modified to use an expected dividend amount rather than a yield. An entity may use either its expected yield or its expected payments. If the entity uses the latter, it should consider its historical pattern of increases in dividends. For example, if an entity's policy has generally been to increase dividends by approximately 3 per cent per year, its estimated option value should not assume a fixed dividend amount throughout the option's life unless there is evidence that supports that assumption.</p> <p>The Company has not paid any dividends recently and is assumed to continue this trend for the term of the Options. As such, this clause is not applicable to the valuation of the Options.</p>

4. Valuation of the Options

In determining the fair value of the Options we used the Black-Scholes Option Pricing (**BSOP**) methodology. Table 2 below summarises the key inputs used in the BSOP methodology, and is followed by an explanation of each of the six key inputs and how they were determined.

Table 2: Black-Scholes Inputs

Input	Values at Valuation Date
i. Underlying share price	\$0.160
ii. Exercise price	\$0.160
iii. Term	3.00yrs
iv. Risk-free rate	0.857%
v. Dividend yield	nil
vi. Volatility (rounded)	100.0%

- i. *Share price* – The underlying share price of the Options, being the price of an Cygnus Gold Limited share, was \$0.160 at the close of the market on the Valuation Date.
- ii. *Exercise price* – We have been instructed that the exercise price of the Options is \$0.16/share.
- iii. *Term* – The term of the Options is 3.00 years, being the period from the date of issue, which for the purpose of this valuation is taken to be the Valuation Date, to the expiry date.
- iv. *Risk-free rate* – The risk-free rate was determined to be the yield-to-maturity of an Australian government bond on the Valuation Date and with a term of equal duration to the Options. The government bond interest rates were taken from the *F16 – Indicative Mid Rates of Australian Government Securities* interest rate table on the Reserve Bank of Australia website. As the term of the Options did not match the any term listed on the interest rate table for Australian government bonds as at the Valuation Date, linear interpolation was used to determine the risk-free rate. Given the aforementioned, the risk-free rate was determined to be 0.857%.
- v. *Dividends* – The dividend yield was assumed to be nil as no dividend has been paid by the Company recently and it was assumed that this trend would continue over the term of the Options.
- vi. *Volatility* – In accordance with AASB 2 paragraph B22, volatility was determined to be the annualised standard deviation of the continuously compounded weekly change in price of the Company's shares. Given the term of the Options is 3 years, the volatility was calculated using the weekly share prices for the 3-year period prior to the Valuation Date. Further, we noticed that on one trading day (1 July 2020) the share price increased 78% from a closing price of \$0.07 on 30 June 2020 to a closing price of \$0.16 the next day. After this increase, the share price remained meaningfully above \$0.07. Therefore, in our calculation of volatility, the reference point resulting from this significant increase in price was excluded as we consider it unduly influences the calculation, and the resulting volatility would not be reflective of the Company's expected volatility moving forward. Based on the aforementioned method, volatility was determined to be 100.0% (rounded). For reference, had the outlier reference point been included, the volatility would be 109.0%.

Based on the foregoing inputs, and before any discount discussed in the next section, we determined the value of an option to be \$0.09895 per option. A detailed example of our valuation of the Options using the BSOP methodology is attached as **Annexure 1**.

5. Other Considerations

Dilution factor – Given that the exercise of the Options results in additional shares being issued in the Company, we also factored into the valuation of the Options the potential dilutory impact that the exercise of the Options has on the per share value of the Company. Exercise of the Options and the resultant issuance of new shares will mean that the Company's value is apportioned among a greater number of shares, which can concurrently lead to a decrease in the per share value of the Company. The BSOP methodology calculates the value of an option on an existing share in a company and does not take into consideration the dilutory impact of the issue of additional shares. Therefore, we must separately consider the effect of exercising the Options and resulting dilution in share value when calculating the value of the Options.

Specifically, the value of each tranche was determined using the Black-Scholes inputs outlined in Section 4 above and then a dilution factor was applied to determine the diluted value of the Options. The dilution factor considers the potential dilution in share value resulting from the exercise of all of the Options on the Valuation Date. Given the Options are "at-the-money" (i.e. the price of an Cygnus Gold Limited share at the Valuation Date is equal to the exercise price of the Options), there would be no dilution impact and so no dilution factor is applicable in this valuation (see **Annexure 2** for a detailed summary).

6. Valuation Conclusion

Based on the above inputs and assumptions, the resulting fair value for the Options is **\$0.09895 per option**.

Table 3: Valuation Conclusion

Tranche	Number of equity instruments	Value per Option	Dilution Factor	Concluded Tranche Value
	(a)	(b)	(c)	(d) = (a)*(b)*(c)
1	3,500,000	\$0.09895	1.000	\$346,325

Should you have any questions regarding anything contained in this letter please do not hesitate to contact me on +61 7 3054 4523.

Yours faithfully



Oliver Schweizer, CFA
Director

STATEMENT OF LIMITING CONDITIONS

In accordance with professional ethics, our fees for this service are not contingent upon the opinions expressed herein. Information provided by management or its representatives in the course of this investigation has been accepted, without further verification, as correctly reflecting the Company's business conditions and operating results.

Financial and statistical information is from sources we deem reliable. We make no representation as to our sources' accuracy or completeness and have accepted their information without further verification.

The conclusions are based upon the assumption that present management will continue to maintain the character and integrity of Cygnus Gold Limited through any sale, reorganisation, or diminution of the owners' participation.

Our opinions expressed herein are valid only for the stated purpose and date of the appraisal. Though some similarities exist between the value as set forth for this purpose and others, it would be incorrect to use the opinions as determined herein for any other purpose due to specific timing, performance, and marketability issues. Accordingly, any such use of the conclusions as determined herein for other purposes would be inaccurate and possibly misleading.

Future services regarding the subject matter contained herein, including, but not limited to, testimony or attendance in court shall not be required of 22 Corporate Advisory Pty Ltd unless previous arrangements have been made in writing.

Neither all nor any part of the contents contained herein shall be conveyed to the public through advertising, public relations, news, sales, mail, direct transmittal, or other media without the prior written consent and approval of 22 Corporate Advisory Pty Ltd.

VALUERS' CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this letter are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinion, and conclusion.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- No one provided significant professional assistance to the persons signing this certification other than other employees of 22 Corporate Advisory Pty Ltd.



Oliver Schweizer, CFA

Director

Annexure 1

Black-Scholes Inputs

Annexure 1: Black-Scholes valuation

Black-Scholes

Assumptions	
Common Price (S)	\$0.160
Exercise Price (X)	\$0.160
Months to Expiration (t*12)	36.00
Risk Free Rate (Rf)	0.857%
Std. Dev. of Common (SD)	100.0%

Black-Scholes Model

where:

$$r = \ln(1+Rf)$$

$$d1 = (\ln(S/X) + (r+.5(SD^2))t)/(SD*(t^{.5}))$$

$$d2 = d1 - (SD*(t^{.5}))$$

$$C = SN(d1) - (X*(e^{-rt}))*N(d2)$$

<u>Inputs</u>	<u>Calculation</u>	<u>ABS(d)</u>	<u>Y(d)</u>	<u>P(d)</u>	<u>N(ABS(d))</u>
r =	0.00854				
d1 =	0.88	0.88	0.83	0.70	0.81
d2 =	-0.85	0.85	0.84	0.71	0.80
N(d1) =	0.811				
N(d2) =	0.197				

Call Option Value	\$0.09895
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Annexure 2

Dilution Factor

Annexure 2: Calculation of dilution factor

Description	Reference	Amount
Shares on issue at the Valuation date	(a)	108,420,098
Price per share at the Valuation Date	(b)	\$0.1600
Implied market value of equity	(c)=(a)*(b)	\$17,347,216
Contributed capital on exercise of the Options (# of options * exercise price)	(d)	\$560,000
Implied value of equity after exercise of the Options	(e)=(c)+(d)	\$17,907,216
New shares issued upon exercise of the Options	(f)	3,500,000
Total shares on issue including potential shares from the Options	(g)=(a)+(f)	111,920,098
Diluted value per share	(h)=(e)/(g)	\$0.1600
Dilution factor	(i)=min[(h)/(b),1]	1.0000



Cygnus Gold Limited
ABN 80 609 094 653

CY5

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **12:00pm (AWST) on Tuesday, 21 December 2021**.

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/we being a member/s of Cygnus Gold Limited hereby appoint

☐

the Chairman
of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and 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 General Meeting of Cygnus Gold Limited to be held at Ground Floor, 24 Outram Street, West Perth, WA 6005 on Thursday, 23 December 2021 at 12:00pm (AWST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 4 (except where I/we have indicated a different voting intention in step 2) even though Item 4 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 4 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Ratification of prior issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(a)	Approval of issue of Director Placement Shares to Michael Bohm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(b)	Approval of issue of Director Placement Shares to Mr Shaun Hardcastle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(c)	Approval of issue of Director Placement Shares to Mr Simon Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(d)	Approval of issue of Director Placement Shares to Mr Ray Shorrocks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Ratification of prior issue of Advisor Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Approval of issue of Director Options to Mr Ray Shorrocks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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999999A



Computershare

