

CuDeco Limited ACN 000 317 251

Notice of General Meeting and Explanatory Statement

General Meeting to be held at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane Qld 4000 on Tuesday 3 April 2018 commencing at 9:00 am AEST

Notice of General Meeting

Notice is hereby given that a General Meeting of Shareholders of CuDeco Limited (**Company**) will be held at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane QLD 4000 on Tuesday 3 April 2018 commencing at 9:00 am AEST, for the purpose of transacting the business referred to in this Notice.

An Explanatory Statement provides additional information on matters to be considered at the Meeting.

Resolution 1: Approval for issue of Convertible Notes

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 10,000,000 Convertible Notes to Gemstone 101 Ltd on the terms and conditions set out in the Explanatory Statement.

Resolution 2: Approval for issue of Convertible Notes

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue:

(a) 18,000,000 Convertible Notes to GuoYi Holdings (BVI) Limited; and

(b) 2,000,000 Convertible Notes to GuoYi Holdings (BVI) Limited,

on the terms and conditions set out in the Explanatory Statement.

Resolution 3: Approval for issue of Options

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval is given for the previous issue by the Company of 200,000 Options to Gemstone 101 Ltd on the terms and conditions set out in the Explanatory Statement.

Resolution 4: Approval for issue of Options

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval is given for the previous issue by the Company of 200,000 Options to GuoYi Holdings (BVI) Limited on the terms and conditions set out in the Explanatory Statement.

Resolution 5: Ratification of the prior issue of Convertible Notes

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval is given for the previous issue of 44,000,000 Convertible Notes to Gemstone 101 Ltd on the terms and conditions set out in the Explanatory Statement.

NOTES

These notes form part of the Notice of Meeting.

VOTING EXCLUSIONS:

Resolutions 1, 2(a) and 2(b), 3 and 4

The Company will disregard any votes cast in favour of Resolutions 1, 2, 3 and 4 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolutions 5

The Company will disregard any votes cast in favour of each of Resolution 5 by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Time and Place of Meeting

Notice is given that a General Meeting of members will be held on Tuesday 3 April 2018 commencing at 9:00 am at Level 35, 1 Eagle Street, Brisbane Qld 4000 at 9:00 am AEST.

Your Vote is Important

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

Voting Eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7 pm AEST on 29 March 2018.

Notice to Persons Outside Australia

This Explanatory Statement has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

The distribution of this Explanatory Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Explanatory Statement should inform themselves of, and observe, any such restrictions.

Privacy

To assist the Company to conduct the General Meeting, the Company may collect personal information including names, contact details and shareholding of Shareholders and the names of persons appointed by Shareholders to act as proxy at the General Meeting. Personal information of this nature may be disclosed by the Company to its share registry, print and mail service providers. Shareholders have certain rights to access their personal information that has been collected and should contact the company secretary if they wish to access their personal information.

ASIC and ASX involvement

Neither ASIC, ASX nor any of their officers take any responsibility for the contents of the Notice of Meeting and Explanatory Statement.

PROXY AND VOTING INSTRUCTIONS

Voting in Person

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

Voting by proxy

1. To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.
2. In accordance with section 249L of the Corporations Act, members are advised that:
 - (a) each member has a right to appoint a proxy;
 - (b) the proxy need not be a member of the Company; and
 - (c) a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.
3. Certain categories of persons (including Directors and the Chairman) are prohibited from voting on Resolutions relating to the remuneration of Key Management Personnel, including as a proxy, in some circumstances. If you are appointing a proxy, to ensure that your vote counts, please read the instructions on the Proxy Form carefully.
4. The details of the Resolutions contained in the Explanatory Statement accompanying this Notice should be read together with, and form part of, this Notice.
5. On a poll, ordinary Shareholders have one vote for every Share held.
6. A proxy may be either an individual or a body corporate. If you wish to appoint a body corporate as your proxy, you must specify on the Proxy Form:
 - (a) the full name of the body corporate appointed as proxy; and
 - (b) the full name or title of the individual representative of the body corporate to attend the Meeting.
7. Proxy appointments in favour of the Chairman, the secretary or any Director that do not contain a direction on how to vote will be voted by the Chairman in favour of each of the Resolutions proposed in this Notice. You should note that if you appoint the Chairman as your proxy, or the Chairman is appointed your proxy by default, you will be taken to authorise the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
8. Proxy Forms must be signed by a Shareholder or the Shareholder's attorney or, if a corporation, executed under seal or in accordance with section 127 of the Corporations Act, or signed by an authorised officer or agent.
9. A Proxy Form is attached. If required, it should be completed, signed (and if the appointment is signed by the appointer's attorney, the original authority under which the appointment was signed or a certified copy of the authority). Proxy Forms must be returned in accordance with the instructions on the Proxy Form.

Voting by Corporate Representative

10. A body corporate that is a Shareholder, or that has been appointed as a proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the General Meeting, evidence of appointment, including any authority under which it is signed, unless it has previously been given to the Company.

Voting by Attorney

11. A Shareholder may appoint an attorney to vote on their behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company no later than 9:00 am AEST, Tuesday 3 April 2018.

By order of the Board

A handwritten signature in cursive script that reads "Leni Stanley".

Leni Stanley
Company Secretary
23 February 2018

EXPLANATORY NOTES

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Notes:

These Explanatory Notes have been prepared for the information of Shareholders in connection with the business to be conducted at the Company's General Meeting to be held on Tuesday 3 April 2018 at 9.00 am.

These Explanatory Notes form part of and should be read in conjunction with the accompanying Notice. A number of words and terms used in these Explanatory Notes have defined meanings, which are set out at the end of these Explanatory Notes.

1. Resolutions 1 and 2(a) and 2(b)

1.1 Background

Prior issues of Convertible Notes and grants of loan facilities

On 3 April 2017, the Company announced that it had agreed to issue 44 million Convertible Notes (**First Gemstone Notes**) to Gemstone 101 Ltd (**Gemstone**), a wholly owned subsidiary of the Valuestone Global Resource Fund, with a face value of AU\$22 million. The First Gemstone Notes were issued on 21 April 2017.

On 14 December 2017, the Company announced entry into two convertible loan agreements (**Loan Facilities**) as follows:

- (a) a US\$5 million facility, provided by Gemstone (**Gemstone Loan Facility**); and
- (b) a US\$10 million facility, provided by GuoYi Holdings (BVI) Limited (**GuoYi**), a wholly owned subsidiary of GuoYi Holdings (Hong Kong) Limited (**GuoYi Loan Facility**).

The purposes of these Loan Facilities is to fund repayment of the Company's debt facility with China Minsheng Banking Corporation.

The Loan Facility agreements both provide for repayment of the loans by the issue of Convertible Notes by 28 February 2018.

Current Balance of Loan Facilities

As at the date of this document:

- (a) the outstanding amount of the Gemstone Loan Facility, is US\$5 million;
- (b) the outstanding balance of the GuoYi Loan Facility, is US\$9 million, with an additional US\$1 million committed but undrawn; and
- (c) the outstanding balance (i.e. aggregate face value) of the First Gemstone Notes, is AU\$22 million.

1.2 Purpose of Resolutions and 1 and 2(a) and 2(b)

The Company, by:

- (a) Resolutions 1 and 2(a), seeks the approvals required from Shareholders to enable the conversion of the outstanding (i.e. drawn down) balances of the two Loan Facilities into Convertible Notes and approval for the issue of Shares upon exercise of conversion rights under those Convertible Notes; and
- (b) Resolution 2(b), on the assumption that the Company will draw down the remaining US\$1 million available on the GuoYi Loan Facility, seeks the approval of Shareholders for

repayment of that additional portion of the GuoYi Loan Facility by the issue of additional Convertible Notes to GuoYi.

1.3 Effect of Resolutions 1 and 2(a) and 2(b)

Issue of Convertible Notes

If Shareholders approve Resolutions 1 and 2(a) and 2(b), immediately upon conversion of the balances of the respective Loan Facilities:

- (a) **(Resolution 1)** the Company will issue 10,000,000 Convertible Notes (**Second Gemstone Notes**) to Gemstone; and
- (b) **(Resolution 2(a))** the Company will issue 18,000,000 Convertible Notes (**GuoYi Notes**) to GuoYi;
- (c) **(Resolution 2(b))** subject to the Company drawing down the final US\$1 million committed under the GuoYi Loan Facility, the Company will issue an additional 2,000,000 Convertible Notes (also, **GuoYi Notes**) to GuoYi;
- (d) the outstanding drawn down balances of both the Loan Facilities will be extinguished in full;
- (e) the resulting Convertible Notes on issue will have an aggregate face value of US\$15 million (US\$5 million relating to the Second Gemstone Notes and US\$10 million relating to the GuoYi Notes)*; and
- (f) there will be no immediate change to the Company's net cash position (except for an additional US\$1 million in cash, should the Company draw down the final US\$1 million committed under the GuoYi Loan Facility).

* Assumes the Company will draw down the remaining US\$1 million committed but undrawn under the GuoYi Loan Facility.

1.4 Terms and conditions of the Notes

The full terms and conditions of the Convertible Notes (those of the Second Gemstone Notes and the GuoYi Notes are the same) are set out in Schedule 1. Both the Gemstone and GuoYi (each, a **Note Holder**) notes have the following key terms and conditions:

- (a) the term of the Notes is 24 months from the date of issue (**Maturity Date**);
- (b) interest runs on the outstanding balance (i.e. face value) of the Notes, at 6% per annum;
- (c) each Note can be converted into Shares at any time before the Maturity Date, at the election of the Note Holder, at an issue price of AU\$0.5 per Share;
- (d) except for limited exceptions set out in Schedule 1, until converted, each Note confers no rights to subscribe for new securities in the Company;
- (e) if the issued capital of the Company is consolidated, subdivided or reduced, the number of Shares into which the Notes are convertible will not be changed, except to the extent required by the ASX Listing Rules;
- (f) other than as may be required by the Corporations Act and the ASX Listing Rules, the Note Holders will not be entitled to vote at any general meeting of the Company by virtue of the Notes; and
- (g) If, at the Maturity Date, the Notes have not been converted, the Company must repay the aggregate outstanding face value of the Notes.

If Shareholder approval for the issue of Shares on conversion of the Notes is not obtained by 30 June 2018, then the Company will pay to Gemstone and/or GuoYi (as appropriate) an amount equal to:

- (a) the aggregate face value of the Notes, the conversion of which would result in the holder being in contravention of Section 606(1) of the Corporations Act; and
- (b) any accrued interest attributable to those Notes and upon such payment, such Notes will be cancelled.

1.5 Issues of Shares upon conversion of the Convertible Notes

Applying the average Australia-United States exchange rate for 2017 of 0.7542 and for illustrative purposes, Australia-United States exchange rates of 0.7 and 0.8, the outstanding aggregate face values of the Second Gemstone Notes and the GuoYi Notes and hence the Shares into which they may be converted, are set out in the below:

| Exchange Rate | 0.7 | 0.7542 | 0.8 |
|---|--|---|---|
| Second Gemstone Notes (Resolution 1) | Aggregate face value: AU\$7,142,857 Maximum Shares issued on conversion: 14,285,714 | Aggregate face value: AU\$6,629,541 Maximum Shares issued on conversion: 13,259,082 | Aggregate face value: AU\$6,250,000 Maximum Shares issued on conversion: 12,500,000 |
| GuoYi Notes (Resolutions 2(a) and 2(b), assuming the GuoYi Notes contemplated in Resolution 2(b) are issued) | Aggregate face value: AU\$14,285,714 Maximum Shares issued on conversion: 8,571,429 | Aggregate face value: AU\$13,259,082 Maximum Shares issued on conversion: 26,518,165 | Aggregate face value: AU\$12,500,000 Maximum Shares issued on conversion: 25,000,000 |

1.6 ASX Listing Rules

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

Resolutions 1 and 2(a) will be to allow the Company to issue the Second Gemstone Notes and 18 million GuoYi Notes, to repay drawn down balances of the Loan Facilities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX) pursuant to approvals required under ASX Listing Rule 7.1 and without using the Company's 15% annual placement capacity.

Resolution 2(b) will similarly allow the Company to issue an additional 2 million GuoYi Notes in accordance with ASX Listing Rule 7.1, should the Company draw down the final US\$ 1 million committed under the GuoYi Loan Facility, which remains undrawn.

These Resolutions will also permit the subsequent issue of Shares pursuant to conversion of the Notes. Without such approvals, the issue of these Notes would exceed the Company's 15% issue capacity.

1.7 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Second Gemstone Notes (**Resolution 1**) and the GuoYi Notes (**Resolution 2**):

- (a) the maximum number of Convertible Notes to be issued:
 - (i) **Resolution 1:** 10,000,000 Convertible Notes (the Second Gemstone Notes); and
 - (ii) **Resolution 2(a):** 18,000,000 Convertible Notes (the GuoYi Notes).
 - (iii) **Resolution 2(b):** 2,000,000 Convertible Notes (also, GuoYi Notes).

The number of Shares that will be issued upon conversion of these Convertible Notes will depend on the Australian Dollar and United States Dollar exchange rate applying on the date of conversion, as the face value of the Notes is denominated in United States Dollars, while the conversion price is AU\$0.5 per Share. In this regard, Shareholders should refer to the worked example in paragraph 1.5 of this Explanatory Statement

- (b) the Second Gemstone Note and the GuoYi Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all the Notes will occur on the same date, assuming that the Company will draw down the balance of the GuoYi Loan Facility during that period;
- (c) the issue price will be US\$0.5 each per Note; the Shares to be issued upon conversion of each Note will be issued at AU\$0.5;
- (d) the Convertible Notes will be issued to:
 - (i) **Resolution 1:** Gemstone 101 Ltd (the Second Gemstone Notes); and
 - (ii) **Resolutions 2(a) and (b):** GuoYi Holdings (BVI) Limited (the GuoYi Notes);
- (e) the Notes will be issued on the terms and conditions set out in Schedule 1 and summarised in paragraph 1.4. The Shares to be issued on conversion of the Notes 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; and
- (f) the Company intends to use the funds raised from the Notes towards repayment of the Company's debt facility with China Minsheng Banking Corporation and for other purposes approved by the Note Holders.

2. Resolutions 3 and 4

2.1 Loan Facilities

As stated above in relation to Resolutions 1 and 2(a) and 2(b), on 14 December 2017, the Company announced entry into two convertible loan agreements as follows:

- (a) a US\$5 million Loan Facility, provided by Gemstone; and
- (b) a US\$10 million Loan Facility, provided by GuoYi.

Each Loan Facility agreement provided, in consideration of provision of the Loan Facilities, for the issue of options to acquire shares in the Company (**Options**) as follows:

- (a) to Gemstone, 200,000 Options (**Gemstone Options, Resolution 3**); and
- (b) to GuoYi, 200,000 Options (**GuoYi Options, Resolution 4**).

The Options have not yet been issued.

2.2 Terms and conditions of the Options

The full terms and conditions of the Gemstone Options and GuoYi Options are set out in Schedule 2. Both the Gemstone Options and GuoYi Options have the following key terms and conditions:

- (a) the Options may be exercised within 24 months of the date of their issue, provided that the Treasurer has not objected to the issue of the Options pursuant to the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*;
- (b) the Options are not quoted;
- (c) each Option entitles the holder to subscribe for one Share at an issue price of AU\$0.8 per Share and the Company will apply for official quotation of those Shares; and
- (d) the Options are freely transferable.

2.3 Purpose of Resolutions 3 and 4

Resolutions 3 and 4 will allow the Company to issue the Gemstone Options and the GuoYi Options to Gemstone and GuoYi respectively, during the period of 3 months after this Meeting (or a longer period, if allowed by ASX) in accordance with approvals required under ASX Listing Rule 7.1 and without using the Company's 15% annual placement capacity. They will also permit the subsequent issue of Shares pursuant to exercise of the Options. Without such approval, the issue of the Options (in conjunction with the issue of other securities contemplated in this Notice) would exceed the Company's 15% capacity.

2.4 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Gemstone Options (**Resolution 3**) and the GuoYi Options (**Resolution 4**):

- (a) the maximum number of Options to be issued:
 - (i) **Resolution 3**: 200,000 Options (the Gemstone Options); and
 - (ii) **Resolution 4**: 200,000 Options (the GuoYi Options).
- (b) the Gemstone Options and the GuoYi Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all the Options will occur on the same date;
- (c) the Options are issued free, as consideration under the Loan Facilities; the Shares to be issued upon exercise of each Option will be issued at AU\$0.8 per Share;
- (d) the Options will be issued to:
 - (i) **Resolution 3**: Gemstone 101 Ltd (the Gemstone Options); and
 - (ii) **Resolution 4**: GuoYi Holdings (BVI) Limited (the GuoYi Options);
- (e) the Options will be issued on the terms and conditions set out in Schedule 2 and summarised in paragraph 2.2. The Shares to be issued on exercise of the Options 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; and
- (f) the Company intends to use the funds raised from exercise of the Options for working capital purposes.

3. Resolution 5:

3.1 Previous issue of First Gemstone Notes

As stated above, on 21 April 2017, the Company issued the First Gemstone Notes, with an aggregate face value of AU\$22 million. The First Gemstone Notes are convertible into Shares at AU\$0.5 per Share. Since each First Gemstone Note has a face value of AU\$0.5 and each converts into Shares at AU\$0.5, the Notes convert on a 1 for 1 basis and the conversion of each Note reduces the outstanding principal of the First Gemstone Notes by AU\$0.5. As a result, the maximum number of Shares that may be issued on conversion of the First Gemstone Notes, is 44,000,000 Shares, which will extinguish the outstanding principal on all the First Gemstone Notes.

3.2 Terms and conditions of the First Gemstone Notes

The full terms and conditions of the First Gemstone Notes are substantially the same as those in Schedule 1. The First Gemstone Notes have the following key terms and conditions:

- (a) the term of the First Gemstone Notes is 24 months from the date of issue (**Maturity Date**);
- (b) interest runs on the outstanding balance (i.e. aggregate face value) of the notes, at 6% per annum;
- (c) each note can be converted into Shares at any time before the Maturity Date, at the election of Gemstone, at an issue price of AU\$0.5 per Share (and each such conversion reduces the aggregate outstanding principal on the Notes by that amount);
- (d) except for limited exceptions set out in Schedule 1, until converted, each note confers no rights to subscribe for new securities in the Company;
- (e) if the issued capital of the Company is consolidated, subdivided or reduced, the number of Shares into which the notes are convertible will not be changed, except to the extent required by the ASX Listing Rules;
- (f) other than as may be required by the Corporations Act and the ASX Listing Rules, Gemstone will not be entitled to vote at any general meeting of the Company by virtue of the First Gemstone Notes; and
- (g) if, at the Maturity Date, the First Gemstone Notes have not been converted, the Company must repay the aggregate outstanding face value of the First Gemstone Notes.

3.3 Purpose of Resolutions 5

The First Gemstone Notes were not issued with prior Shareholder approval. The purpose of Resolutions 5 is for Shareholders to approve, pursuant to Listing Rule 7.4, the previous allotment and issue of the First Gemstone Notes, which will otherwise count towards the Company's 15% equity issue capacity under Listing Rule 7.1 (see paragraph 1.6 for information on ASX Listing Rule 7.1).

The issue of the First Gemstone Notes did not exceed the 15% threshold. However, Listing Rule 7.4 provides that where a company subsequently approves an issue of securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing that Company's 15% equity issue capacity and enabling it to issue further securities without Shareholders' approval up to that limit.

3.4 Technical information required by the Listing Rule 7.5:

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided with regard to Resolution 5:

- (a) Name of person to whom the First Gemstone Notes were issued: Gemstone 101 Ltd;

- (b) Date of issue of the First Gemstone Notes: 21 April 2017;
- (c) Number of securities issued: 44,000,000 First Gemstone Notes (Convertible Notes);
- (d) Issue price of securities: the First Gemstone Notes were issued at AU\$0.5 per note (and each converts into a Share at that price);
- (e) Terms of issue: as set out in paragraph 3.5 above;
- (f) Use of funds: the funds raised on the issue of the First Gemstone Notes, being the aggregate principal of all the Notes, namely AU\$22,000,000), were applied towards repayment of the Company's indebtedness to China Minsheng Banking Corporation.

3.5 Terms and conditions of the First Gemstone Notes

The First Gemstone Notes:

- (a) have a term of 24 months from the date of issue (**Maturity Date**);
- (b) carry interest on the outstanding balance (i.e. face value) of the Notes, at 6% per annum;
- (c) can each be converted into one Share at any time before the Maturity Date, at the election of the Note Holder, at an issue price of AU\$0.5 per Share;
- (d) except for limited exceptions set out in Schedule 1, until converted, confer no rights to subscribe for new securities in the Company;
- (e) do not confer rights to change the number of First Gemstone Notes on issue if the issued capital of the Company is consolidated, subdivided or reduced, except to the extent required by the ASX Listing Rules;
- (f) do not confer rights to vote at any general meeting of the Company, other than as may be required by the Corporations Act and the ASX Listing Rules; and
- (g) must be repaid by Company if, at the Maturity Date, the Notes have not been converted or repaid earlier.

Definitions

In these Explanatory Notes:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and includes any successor body.

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

Board means the board of Directors.

Convertible Note means the Gemstone Second Notes and the GuoYi Notes as described in this Explanatory Statement.

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

Company means CuDeco Limited.

Directors means the directors of the Company.

Explanatory Memorandum or **Explanatory Statement** or **Explanatory Note** means this document attached to the Notice.

First Gemstone Notes means 44 million Convertible Notes issued to Gemstone, announced on ASX on 3 April 2017, issued on 21 April 2017 and the subject of Resolution 5.

Gemstone Options means the options to acquire Shares the subject of Resolution 4.

General Meeting or **Meeting** means the annual general meeting convened pursuant to this document.

GuoYi Notes means the Convertible Note the subject of Resolution 2.

Key Management Personnel means the key management personnel named in the Company's latest remuneration report.

Listing Rule means the listing rules of ASX.

Note means a Convertible Note.

Notice means this notice of annual general meeting which this Explanatory Note accompanies and in which the Resolutions are set out.

Proxy Form means a proxy form accompanying this document.

Resolution means the resolutions in the Notice of Meeting.

Second Gemstone Notes means the Convertible Notes the subject of Resolution 1.

Shareholder means a holder of Shares.

Shares means ordinary fully paid shares in the issued capital of the Company.

Schedule 1: Terms and Conditions of Convertible Notes (Resolutions 1 and 2(a) and 2(b))

1. Face Value

Each Note has a face value of US\$0.5.

2. Interest

Interest at 6% per annum runs on the outstanding face value of the Notes and must be paid quarterly in arrears.

3. Maturity Date

The Notes mature 24 months (**Maturity Date**) after the date of issue (**Issue Date**).

4. Failure to obtain shareholder approval

If Shareholder approval for the issue of Shares on conversion of the Notes is not obtained by 28 February 2018, then the Company will, within 28 days of the meeting of Shareholders, pay to the Holder an amount equal to:

- (i) the aggregate face value of the Notes, the conversion of which would result in the holder being in contravention of Section 606(1) of the Corporations Act; and
- (ii) any accrued interest attributable to those Notes and upon such payment, such Notes will be cancelled.

5. Conversion

The Holder may elect to convert all or some of the Notes into Shares during the period commencing on the date which is six months after the issue date and ending on the Maturity Date.

6. Conversion Price

Subject to adjustment under these conditions, each Note is convertible into Shares at AU\$0.5 per Share (**Conversion Price**).

7. Adjustment to conversion price

If the Company makes an issue of Shares or other securities (excluding an issue of Shares or securities under an employee share option plan) at a per Share price that is less than the Conversion Price (except for a Bonus Issue) (**New Issue Price**), the Conversion Price will be reduced to an amount equal to 90% of the New Issue Price but never less than AU\$0.40.

8. Reorganisation of capital

If there is any reorganisation of the issued share capital of the Company, the rights of the Holder will be varied to the extent necessary to comply with the ASX Listing Rules which apply at the time of the reorganisation.

9. Raking of Shares upon conversion

The Shares issued on conversion of the Notes will rank equally with all other fully paid ordinary shares on issue.

10. Bonus issues

If at any time after the issue date but before the earlier of the Notes being converted or redeemed or repaid, the Company makes a bonus issue of securities, the Company must issue to the Holder bonus securities of the number which the Holder would have been entitled to receive, by way of participation in the issue of bonus securities, if it had converted the Notes then on issue into Shares immediately before the record date for the issue of bonus securities.

11. Repayment and early repayment premium

- (a) Unless the Notes have been converted or redeemed earlier, the Company must pay the outstanding aggregate face value and accrued but unpaid interest on the Maturity Date (or the date repayment is demanded by the Holder as a result of a breach of the terms of issue).
- (b) At any time during their term, the Company may redeem all or any portion of the Notes that have not been converted, by payment to the Holder of the aggregate face value of the redeemed notes plus any accrued but unpaid interest, provided that the minimum interest payment upon early redemption is the amount of interest that would accrue over a 365 day period from the Issue Date.

12. Ranking

Each Note is unsecured and ranks prior to the Company's present and future outstanding unsecured unsubordinated obligations.

Schedule 2: The Terms and Conditions of the Options (Resolutions 3 and 4)

1. Exercise Price

Each Option will have an exercise price of A\$0.80 (**Exercise Price**).

2. Expiry Date

Each Option will expire on the date which is 24 months after the date of issue (**Expiry Date**).

3. Exercise Period

Each Option is exercisable at any time during the period commencing on the date that the Treasurer (or the Treasurer's delegate) provides pursuant to the *Foreign Acquisitions and Takeovers Act 1975* (Cth) a written no objection notification to the transactions contemplated under this Agreement, either without conditions or with conditions acceptable to the lender and ending on the Expiry Date (**Exercise Period**).

4. Exercise of Options

The Options may only be exercised during the Exercise Period.

5. No Official Quotation of Options

The Company will not apply for official quotation of the Options.

6. Entitlement

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

7. Shares Issued on Exercise

Shares issued on exercise of the Options will rank equally with the Company's other fully paid ordinary shares then on issue.

8. Official Quotation of Shares on Exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

9. Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that, for the purposes of determining entitlements to any such issue, the beholder will be provided with at least ten business days' notice prior to the record date. This will give the holder of Options the opportunity to exercise Options prior to the date for determining entitlements to participate in any such issue.

10. 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 of, 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 be increased by the number of Shares which the holder would have received if the holder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

11. Adjustment for Rights Issue

If the Company makes an issue of Shares pro rata to existing Shareholders (except a bonus issue) the Exercise Price of an Option will be reduced according to the following formula, subject to the ASX Listing Rules:

$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price (as defined in the ASX Listing Rules) per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

12. Adjustments for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Holder will, be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation.

13. Options Transferable

The Options are freely transferable.

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LODGE YOUR VOTE ONLINE



ONLINE VOTE

www.advancedshare.com.au/investor-login



MOBILE DEVICE VOTE

Lodge your proxy by scanning the QR code below, and enter your registered postcode. It is a fast, convenient and a secure way to lodge your vote.

2018 GENERAL MEETING - VOTING/PROXY FORM

I/We being shareholder(s) of CuDeco Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chairman of the meeting **OR**



PLEASE NOTE: If you leave the section blank, the Chairman of the Meeting will be your proxy.

If no individual(s) or body corporate(s) 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 General Meeting of the Company to be held at **Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street Brisbane Queensland 4000 on Tuesday 3 April 2018 at 9.00 am (AEST)** and at any adjournment or postponement of that Meeting.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED VOTES:

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

VOTING DIRECTIONS

Agenda Items

| | For | Against | Abstain* |
|---|--------------------------|--------------------------|--------------------------|
| 1) Approval for Issue of Convertible Notes – Gemstone 101 Ltd | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 (a) Approval for Issue of Convertible Notes – Guo Yi Holdings (BVI) Ltd | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 (b) Approval for Issue of Convertible Notes – Guo Yi Holdings (BVI) Ltd | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) Approval for issue of Options – Gemstone 101 Pty Ltd | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) Approval for issue of Options – Guo Yi Holdings (BVI) Ltd | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) Ratification of the prior issue of Convertible Notes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |



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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

| | | |
|--|---|----------------------------------|
| Shareholder 1 (Individual) | Joint Shareholder 2 (Individual) | Joint Shareholder 3 (Individual) |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Sole Director and Sole Company Secretary | Director/Company Secretary (Delete one) | Director |

This form should be signed by the shareholder. If a joint holding, all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

STEP 1

STEP 2

STEP 3

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

Your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman will be your proxy.

DEFAULT TO THE CHAIRMAN OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not vote on a poll in accordance with your directions or does not attend the Meeting, then the proxy appointment will automatically default to the Chairman of the Meeting, who is required to vote the proxies as directed.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are able. If you mark more than one box on an item, your vote on that item will be invalid.

PLEASE NOTE: If you appoint the Chairman as your proxy (or if he is appointed by default) but do not direct him how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), you will be expressly authorising the Chairman to vote as he sees fit on that item.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- Return both forms together.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or 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 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.

LODGE YOUR VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 9.00 am (AEST) on Sunday 1 April 2018, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



ONLINE VOTE

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 9262 3723



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033