



CAZALY RESOURCES LIMITED

ACN 101 049 334

NOTICE OF GENERAL MEETING

TIME: 2.00pm

DATE: 6 March 2019

PLACE: Level 2
38 Richardson Street
West Perth WA 6005

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

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9322 6283.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the General Meeting of the Shareholders convened by this Notice of Meeting will be held at 2.00pm (WST) on 6 March 2019 at:

Level 2
38 Richardson Street
WEST PERTH WA 6005

YOUR VOTE IS IMPORTANT

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

ATTENDANCE AND VOTING ELIGIBILITY

For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) the Directors have determined that the Shares quoted on the ASX at 5.00pm (WST) on 4 March 2019 will be taken, for the purposes of this General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote (if not excluded) at the Meeting.

VOTING IN PERSON

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

VOTING BY PROXY

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

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

so that it is received not later than 2.00pm (WST) on 4 March 2019.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Cazaly Resources Limited will be held at **Level 2, 38 Richardson Street, West Perth WA 6005 at 2.00pm (WST) on 6 March 2019.**

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

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

AGENDA

RESOLUTION 1 – APPROVAL FOR THE ISSUE OF NOTES AS CONVERTIBLE SECURITIES TO NOMINEES OF ORACLE

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, Shareholders approve the Company to issue the 748,000 Notes as convertible into Shares to nominees of Oracle Capital Group Pty Ltd, and the issue of Shares upon such conversion, pursuant to and in accordance with the Note Deed on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by the nominees of Oracle Capital Group Pty Ltd or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 2 – RATIFICATION OF ISSUE OF ANNEXURE B OPTIONS TO NOMINEES OF ORACLE

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

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 29,920,000 Annexure B Options to nominees of Oracle Capital Group Pty Ltd, on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

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

OTHER BUSINESS

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

PROXIES

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

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

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

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

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

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

An instrument appointing a proxy:

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

Corporations

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

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

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

Undirected and Directed Proxies

The Company encourages all shareholders who submit proxies to direct their proxy how to vote on each resolution.

The Company will not disregard any votes cast on a resolution by a person if the person is the Chair voting an undirected proxy and their appointment expressly authorises the Chair to exercise the proxy.

If you intend to appoint the Chair as your proxy, you can direct him how to vote by marking the boxes for each resolution (for example, if you wish to vote "for", "against" or "abstain" from voting), or you cannot mark any of the boxes and give the Chair your express authority to vote your undirected proxy (**in which case the Chair will vote in favour of all Resolutions**).

In accordance with the Corporations Act, any directed proxies that are not voted on a poll at the meeting will automatically default to the Chair, who is required to vote proxies as directed.

The Chair intends to vote all undirected proxies in favour of Resolutions 1 and 2.

DATED: 1 FEBRUARY 2019

BY ORDER OF THE BOARD

MIKE ROBBINS

COMPANY SECRETARY

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Cazaly Resources Limited in connection with the business specified to be conducted in the Notice of General Meeting at the general meeting of Shareholders to be held at **Level 2, 38 Richardson Street, West Perth, Western Australia 6005** at **2.00pm (WST)** on **6 March 2019**.

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

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

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

1. BACKGROUND INFORMATION IN RESPECT OF RESOLUTIONS 1 AND 2

1.1 *Terms of the Note Deed*

Oracle Capital Group Pty Ltd (**Oracle**) agreed to invest an amount of \$748,000 in the Company, and the Company has agreed to issue Notes and Annexure B Options to Oracle in accordance with the terms of the Note Deed.

Annexure A contains a summary of the rights, obligations, privileges and restrictions attaching to the Notes. Capitalised terms referred to below are defined in the Glossary, **Annexure A** or in the text below.

The Directors consider that the Note Deed, the Notes (and their ability to convert into Shares) and the Annexure B Options issued under it are in the best interests of Shareholders as it provides funding to repay existing debt, ongoing exploration and for working capital purposes of the Company.

NOTES AND OPTIONS

Under the terms of the Note Deed, Oracle agreed to subscribe, and has subscribed, for 748,000 Notes in the capital of the Company with an aggregate face value of \$1.00 each together with 40 Annexure B Options for every Note subscribed for. The Notes and Annexure B Options have been issued.

Each Annexure B Option is exercisable on or before 31 December 2021 at \$0.02745, being the price that is equal to 150% of the Share price calculated on the basis of 85% of the VWAP of the Ordinary Shares on the ASX calculated over the five (5) consecutive Trading Days on the ASX which immediately precede the date of Note Deed (irrespective of whether or not Shares are traded on the ASX on any or all of those Trading Days), in accordance with the terms of the Note Deed. For the purposes of calculating the above VWAP, if the Shares were not traded on the ASX on any of the relevant Trading Days, the Share price on such a Trading Day will be the closing Share price on the last preceding Trading Day on which Shares were traded on the ASX.

FACE VALUE

Each Note has a face value of \$1.00 (**Principal Sum**).

TERM

The term of each Note is 12 months from the date of the Note Deed (**Repayment Date**).

SECURITY

The obligations of the Company to repay the Principal Sum on each Note and to meet its other obligations under the Note Deed are not secured by any mortgage or charge over any of the assets of the Company or its subsidiaries. The Notes constitute unsecured, direct, general and unconditional obligations of the Company which will at all times rank equally with all other present unsecured obligations of the Company.

SHAREHOLDER APPROVAL

It is an express provision of the Note deed that despite any other term of the Note Deed, the Company must convene a Shareholders' meeting to be held no later than 28 February 2019 (or such later date as the parties may agree in writing), at which meeting the Company must ask Shareholders to approve under ASX Listing Rule 7.1 (and for all other purposes) the issue of the Notes with the ability that they can convert into Ordinary Shares under the Note Deed, and to approve the issue of Ordinary Shares upon the conversion of the Notes under the Note Deed. The Meeting convened by this Notice has been convened for the purpose of seeking that Shareholder approval, which is the subject of Resolution 1. The parties to the Note Deed have agreed in writing that the meeting seeking such Shareholder approval may be held on the later date of 6 March 2019.

Despite any other term of the Note Deed, Oracle and the Company agree that the conversion of any or all the Notes in accordance with the Note Deed, and the issue of any Ordinary Shares upon conversion of any or all of the Notes, is subject to the receipt of Shareholder approval in accordance with the Note Deed. In the event that the Company is not able to obtain the requisite Shareholder approval or if it fails to convene a Shareholders' meeting by 28 February 2019 (or such later date as the parties may agree in writing, and which meeting the parties have now agreed may take place on the later date of 6 March 2019), the parties agree and acknowledge that, despite any other term of the Note Deed:

- (A) those provisions of the Note Deed that provide for conversion of the Notes into Ordinary Shares will not come into operation or effect;
- (B) the Notes cannot be converted into Ordinary Shares under the Note Deed;
- (C) the Company will not have any obligation under the Note Deed to issue Ordinary Shares to Oracle; and
- (D) the Principal Sum in respect of each Note issued, together with all accrued interest, can only be redeemed or purchased by the Company in accordance with the Note Deed, which will operate in satisfaction of the Company's obligation to Oracle in respect of the Principal Sum together with all accrued interest and all the liabilities, obligations and covenants under the Note Deed of the Company in respect of the Notes shall be immediately discharged, released and extinguished in full.

The Principal Sum in respect of each Note issued together with all accrued interest, will become immediately due and payable in the event the Company is not able to obtain the Shareholder approval referred to above or if it fails to convene a Shareholders' meeting by 28 February 2019 (or such later date as the parties may agree in writing). The parties to the Note Deed have agreed in writing that the meeting seeking such Shareholder approval may be held on the later date of 6 March 2019.

CONVERSION

Subject always to the Company having first obtained the required Shareholder approval (which approval is the subject of Resolution 1), Oracle may convert all or any of the Notes into Ordinary Shares at any time and at any frequency as at a date prior to the Repayment Date by giving a conversion notice to the Company in accordance with the terms of the Note Deed. A conversion notice may not be given when the date of the conversion could be after the Repayment Date.

Subject always to the Company first having obtained the required Shareholder approval (which approval is the subject of Resolution 1), Oracle may, within 3 business days after receiving a redemption notice from the Company in accordance with the Note Deed, exercise its pre-emptive right under the Note Deed by requiring the Company to convert the number of Notes that were the subject of that redemption notice in accordance with the Note Deed. Upon receipt by the Company of a conversion notice issued in accordance with the Note Deed the corresponding redemption notice issued by the Company will cease to have any force or effect and the conversion notice will take precedence.

If Oracle gives a conversion notice in accordance with the terms of the Note Deed the Company agrees it will convert the number of Notes specified in the notice as at a date not later than 3 business days after the date of the conversion notice.

A conversion notice must specify not less than 25,000 Notes for conversion and the number of Notes specified for conversion must, if possible be a multiple of 25,000.

On conversion of a Note, Ordinary Shares will be issued. That number of Ordinary Shares will be calculated by dividing the Principal Sum by the lower of:

- (i) 85% of the VWAP of the Ordinary Shares on the ASX calculated over the 5 consecutive Trading Days on the ASX which immediately precede the date of the Note Deed (irrespective of whether or not Shares were traded on the ASX on any or all of those Trading Days); and
- (ii) 85% of the VWAP of the Ordinary Shares on the ASX calculated over the 5 consecutive Trading Days on the ASX which immediately precede the date of the Conversion Notice (irrespective of whether or not Shares were traded on the ASX on any or all of those Trading Days); and
- (iii) the lowest price of any capital raising completed by the Company from the date of execution of the Note Deed up to and including the date of the Conversion Notice,

multiplied by the number of Notes the subject of the Conversion Notice. For the purposes of calculating the above VWAP, if the Shares were not traded on the ASX on any of the relevant Trading Days, the Share price on such a Trading Day will be the closing Share price on the last preceding Trading Day on which Shares were traded on the ASX.

In calculating the entitlement of Oracle to Ordinary Shares on a conversion of its Notes, an entitlement to a fraction of an Ordinary Share must be rounded up to the nearest whole number of shares.

REDEMPTION

The Company may redeem all or part of the Principal Sum of each Note at any time and at any frequency on or before the Repayment Date by giving to Oracle a redemption notice. A redemption notice must not be given in respect of a Note the subject of a conversion notice.

A redemption notice must specify a business day not less than five business days after the date on which the redemption notice is given as the Redemption Date.

A redemption notice must specify not less than 374,000 Notes for redemption (when aggregated with all redemption notices issued on the same day as that redemption notice).

On the redemption date specified in a redemption notice the Company must redeem all of the Notes the subject of redemption notices and pay to Oracle the Principal Sum and all accrued interest on each Note then held by it which is the subject of a redemption notice.

Subject always to the Company first having obtained the required Shareholder approval (which approval is the subject of Resolution 1), Oracle maintains a pre-emptive right to convert upon receipt of a redemption notice from the Company in accordance with the terms and

conditions of the Note Deed. Further information regarding Oracle's pre-emptive right is set out in this Section 1 under the heading 'Conversion'.

All outstanding Notes (excluding any Notes in respect of which a redemption notice or a conversion notice has been issued in accordance with the Note Deed) will automatically be redeemed on the Repayment Date and the Company will pay to Oracle the Principal Sum and all accrued interest on each outstanding Note held by Oracle at the Repayment Date.

1.2 Potential effect on capital structure

- (a) As at the date of this Notice, the total number of issued Shares is 232,819,058.
- (b) The capital structure of the Company will be affected by the conversion or repayment of the Notes by Oracle, and/or the exercise of the Annexure B Options by Oracle, which will result in additional Shares being issued.
- (c) If Shareholder approval is obtained and all of the Notes are converted, then based on a conversion price of \$0.020 per Share in accordance with the Note Deed (based on the Share price as at the date of this Notice), 37,400,000 Shares would be issued. The actual effect on the Share capital of the Company will depend on what percentage of the Notes are actually converted and/or repaid and the price at which the conversion and/or repayment occurs. A table showing the number of Shares that may be issued upon conversion and/or repayment of the Notes at different conversion prices, and the dilutionary effect of their issue, is set out below.
- (d) 29,920,000 Annexure B Options were issued to Oracle on 18 December 2018 in accordance with the Note Deed. Shareholder ratification of the issues of those Annexure B Options is sought under Resolution 2.

The effect on the issued Share capital of the Company on conversion and/or repayment of all the Notes and the issue and exercise of all Annexure B Options issued under the Note Deed is set out below, assuming no other Shares are issued (e.g. from the exercise, conversion or vesting of existing or new convertible securities or the issue of new Shares).

The actual effect on the Share capital of the Company will depend on what percentage of the Notes are actually converted and/or repaid and the price at which the conversion or repayment occurs.

The table below also sets out the effect of the Note Deed on the Company's issued capital assuming the Shareholder approval the subject of Resolution 1 is granted and assuming all of the Notes are converted into Shares and all of the Annexure B Options are exercised.

	Assuming 50% decrease in Share price at date of Notice (\$0.010)	Assuming conversion of all Notes based on Share price at date of Notice (\$0.020)	Assuming 50% increase in Share price at date of Notice (\$0.030)	Assuming 100% increase in Share price at date of Notice (\$0.040)
Shares on issue at the date of this Notice	232,819,058	232,819,058	232,819,058	232,819,058
Shares issued upon conversion of all Notes issued pursuant to the Note Deed	74,800,000	37,400,000	24,933,333	18,700,000
Shares issued assuming the exercise of all Annexure B Options issued under the Note Deed	29,920,000	29,920,000	29,920,000	29,920,000

Dilution	31.0%	22.4%	19.1%	17.3%
Total Shares on issue following conversion of all Notes, and exercise of all Annexure B Options, issued under Note Deed (assuming Resolution 1 is passed)	337,539,058	300,139,058	287,672,391	281,439,058

Options	Options on issue
Options on issue prior to entry into Note Deed	22,500,000
Annexure B Options issued under Note Deed	29,920,000
Total Options on issue after Annexure B Options issued under Note Deed	52,420,000

Notes:

- Details of the exercise prices and expiry dates of the Options are set out in the Company's 2018 Annual Report lodged with ASX and in its Appendix 3B lodged with the ASX on 21 January 2019.

2. RESOLUTION 1 – APPROVAL FOR THE ISSUE OF NOTES AS CONVERTIBLE SECURITIES TO ORACLE

2.1 Background

As noted in Section 1, the Company has entered into the Note Deed under which it has agreed to issue and has issued 748,000 Notes to Oracle. Subject to the receipt of Shareholder approval and on the terms and conditions summarised in Section 9.1 and **Annexure A** the Notes will be issued as convertible notes. That Shareholder approval is the subject of Resolution 1.

In the event that Shareholders do not pass Resolution 1 the Notes cannot be converted into Shares under the Note Deed, the Company will not have any obligation under the Note Deed to issue Shares to Oracle and the Principal Sum in respect of each Note issued together with all accrued interest, will become immediately due and payable.

2.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which include shares) that exceed 15% of the total number of ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities.

The effect of Resolution 1 will be to allow the Company to issue the Notes as convertible securities within the period of three (3) months after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

2.3 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.3:

- Maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue

748,000 convertible securities.

(b) *The date by which the entity will issue the securities*

If Shareholders approve Resolution 1 the convertible securities will be issued on 6 March 2019 after the conclusion of the Meeting.

(c) *The issue price of the securities*

The Notes were issued with a face value of \$748,000 and otherwise on the terms and conditions summarised in **Annexure A**. No further funds will be received by the Company if Shareholders pass Resolution 1, allowing the Notes to become convertible securities.

(d) *The name of the persons to whom the entity will issue the securities (if known) or the basis upon which those persons will be identified or selected*

The Notes were issued to nominees of Oracle, none of whom is a related party of the Company.

(e) *The terms of the securities*

The terms and conditions of the Notes are summarised in **Annexure A**.

(f) *Use (or intended use) of the funds raised*

Funds raised from the issue of the Notes will be used to satisfy the Company's obligations under its 2017 unsecured convertible note deed with Oracle.

2.4 Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 1 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Shares on issue in any 12 month period without Shareholder approval.

3. RESOLUTION 2 – RATIFICATION OF ISSUE OF ANNEXURE B OPTIONS TO ORACLE

3.1 Background

Resolution 2 seeks Shareholder ratification for the issue of 29,920,000 Annexure B Options issued to Oracle pursuant to the Unsecured Note Deed (**Note Deed**) in accordance with ASX Listing Rule 7.4. The key terms and the Company's reasons for entering into the Note Deed are set out in Section 1.1 of this Explanatory Memorandum. The Annexure B Options were issued to Oracle as consideration for its entry into the Note Deed.

3.2 ASX Listing Rule 7.4

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

If Shareholders approve Resolution 2, the issue of 29,920,000 Annexure B Options will be excluded from the calculations of the Company's 15% limit under ASX Listing Rule 7.1.

3.3 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.5:

(a) Number of securities issued

29,920,000 Annexure B Options

(b) Price at which the securities were issued

Nil

(c) Terms of the securities

The terms and conditions of the Annexure B Options are set out in Annexure B.

(d) The name of the persons to whom Cazaly issued the securities or the basis on which those persons were determined

The Annexure B Options were issued to nominees of Oracle, none whom is a related party of the Company.

(e) Use (or intended use) of the funds raised

The Annexure B Options were issued as part of the terms of the Note Deed. No funds were raised from the issue of the Annexure B Options. Any funds raised from the exercise of the Annexure B Options will be used for ongoing exploration and for working capital purposes.

3.4 Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 2 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Options on issue in any 12 month period without Shareholder approval.

GLOSSARY

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

\$ means Australian dollars.

2018 Financial Report means the Company's financial report for the financial year ended 30 June 2018, which can be downloaded from the Company's website at www.cazalyresources.com.au.

Annexure means an annexure to this Explanatory Memorandum.

Annexure B Option means an option to acquire a Share on the terms and conditions set out in Annexure B.

ASIC means the Australian Securities and Investments Commission.

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

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

Board means the board of Directors.

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

Chair or **Chair** means the Chair of the Meeting.

Company or **Cazaly** means Cazaly Resources Limited ACN 101 049 334.

Constitution means the Company's constitution.

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

Director means a director of the Company.

Equity Securities has the same meaning as in the Listing Rules.

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

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

Note means a note issued pursuant to the Note Deed.

Note Deed means the unsecured note deed dated 13 December 2018 between the Company and Oracle.

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

Option means an option to acquire a Share.

Oracle means Oracle Capital Group Pty Ltd ACN 622 310 276 and/or its nominees pursuant to the Note Deed.

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

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

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

Shareholder means a holder of a Share.

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

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

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

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

ANNEXURE A – NOTE DEED TERMS

Oracle agreed to invest an amount of AUD\$748,000 in the Company under a Unsecured Note Deed entered into between Oracle and the Company dated 13 December 2018 (**Note Deed**), and Oracle agreed to subscribe for and the Company has agreed to issue 748,000 Notes to Oracle in accordance with the terms of the Note Deed.

The following is a broad summary of the rights, privileges, obligations and restrictions attaching to the Notes under the Note Deed. The summary is not exhaustive and does not constitute a definitive statement of the rights, obligations and liabilities of the Company and Oracle.

1. Definitions and nature of Notes

(a) Definitions

Unless otherwise specified, references to clauses and sub-clauses in this Annexure A are references to clauses and sub-clauses of this Annexure A.

In this Explanatory Memorandum the following definitions apply unless the context requires otherwise.

Conversion Date means, in respect of a Note which has been or is to be converted, the date on which the Conversion Notice is given, or deemed to be given, to the Company (as the case may require).

Conversion Notice means a notice given, or deemed to be given, by Oracle substantially in the form set out in Schedule 1 of the Note Deed.

Interest Rate means 10% per annum.

Principal Sum means \$1.00.

Redemption Date means the date specified as such in a Redemption Notice and which must be a date on or before the Repayment Date.

Redemption Notice means a notice given by the Company substantially in the form of Schedule 2 of the Note Deed.

Repayment Date means the date that is 12 months from the date of the Note Deed.

Trading Day has the meaning given to that term in the ASX Listing Rules.

VWAP means the volume weighted average closing price for Ordinary Shares trading on the Stock Exchange.

(b) Notes unsecured

The obligations of the Company to repay the Principal Sum on each Note and to meet its other obligations under the Note Deed are not secured by any mortgage or charge over any of the assets of the Company or its subsidiaries. Upon issue, the Notes will constitute unsecured, direct, general and unconditional obligations on the Company which will at all times rank equally with all other present and future unsecured obligations of the Company.

(c) Interest

Interest will be paid by the Company where or to the extent that the Note is redeemed and/or converted, in which case interest will be payable from the date of issue of each Note until (and including) the Redemption Date and/or Conversion Date.

The amount of interest payable on a Note in any period under the Note Deed will accrue daily and will be calculated at the Interest Rate on the Principal Sum for the number of days in that period.

(d) Redemption

- (i) The Company may redeem all or part of the Principal Sum of each Note at any time and at any frequency on or before the Repayment Date by giving to Oracle a Redemption Notice. A Redemption Notice must not be given in respect of a Note the subject of a Conversion Notice.
- (ii) A Redemption Notice must specify not less than 374,000 Notes for redemption (when aggregated with all Redemption Notices issued on the same day as that Redemption Notice).
- (iii) Subject always to paragraph (h) below (which takes effect and operates despite any other term of the Note Deed) and Shareholder approval being obtained as contemplated by that paragraph, Oracle maintains a pre-emptive right to convert upon receipt of a Redemption Notice from the Company in accordance with and subject to paragraph (f) below (if it comes into effect and operation) and in particular paragraph (f)(ii) below (if it comes into effect and operation).
- (iv) All outstanding Notes (excluding any Notes in respect of which a Redemption Notice or a Conversion Notice has been issued under the Note Deed) will automatically be redeemed on the Repayment Date and the Company will pay to Oracle the Principal Sum and all accrued interest on each outstanding Note held by Oracle at the Repayment Date.

(e) Purchase of Notes

The Company may at any time and from time to time purchase any of the Notes by agreement with Oracle.

(f) Conversion prior to Repayment Date

- (i) Subject always to paragraph (h) below (which takes effect and operates despite any other term of the Note Deed) and Shareholder approval being obtained as contemplated by that paragraph, Oracle may convert all or any of the Notes into Ordinary Shares at any time and at any frequency as at a date prior to the Repayment Date by giving a Conversion Notice to the Company. A Conversion Notice may not be given when the date of the conversion could be after the Repayment Date.
- (ii) Subject always to paragraph (h) below (which takes effect and operates despite any other term of the Note Deed) and Shareholder approval being obtained as contemplated by that paragraph, Oracle may, within 3 business days after receiving a Redemption Notice in accordance with the Note Deed, exercise its pre-emptive right under the Note Deed by requiring the Company to convert the number of Notes that were the subject of that Redemption Notice in accordance with the Note Deed. Upon receipt by the Company of a Conversion Notice issued in accordance with the Note Deed the corresponding Redemption Notice issued by the Company will cease to have any force or effect and the Conversion Notice will take precedence.
- (iii) If Oracle gives a Conversion Notice under paragraph (f)(i) or (f)(ii) above the Company agrees it will convert the number of Notes specified in the notice as at a date not later than 3 business days after the date of the Conversion Notice.

- (iv) A Conversion Notice must specify not less than 25,000 Notes for conversion and the number of Notes specified for conversion must, if possible be a multiple of 25,000.

(g) Conversion Rate

On conversion of a Note, Ordinary Shares will be issued. That number of Ordinary Shares will be calculated by dividing the Principal Sum by the lower of:

- (i) 85% of the VWAP of the Ordinary Shares on the ASX calculated over the 5 consecutive Trading Days on the ASX which immediately precede the date of the Note Deed (irrespective of whether or not Shares were traded on the ASX on any or all of those Trading Days); and
- (ii) 85% of the VWAP of the Ordinary Shares on the ASX calculated over the 5 consecutive Trading Days on the ASX which immediately precede the date of the Conversion Notice (irrespective of whether or not Shares were traded on the ASX on any or all of those Trading Days); and
- (iii) the lowest price of any capital raising completed by the Company from the date of execution of the Note Deed up to and including the date of the Conversion Notice,

multiplied by the number of Notes the subject of the Conversion Notice. For the purposes of calculating the above VWAP, if the Shares were not traded on the ASX on any of the relevant Trading Days, the Share price on such a Trading Day will be the closing Share price on the last preceding Trading Day on which Shares were traded on the ASX.

In calculating the entitlement of Oracle to Ordinary Shares on a conversion of its Notes, an entitlement to a fraction of an Ordinary Share must be rounded up to the nearest whole number of shares.

(h) Shareholder approvals

- (i) Despite any other term of the Note Deed, the Company must convene a Shareholders' meeting to be held no later than 28 February 2019 (or such later date as the parties may agree in writing), at which meeting the Company must ask Shareholders to approve under ASX Listing Rule 7.1 (and for all other purposes) the issue of the Notes with the ability that they can convert into Ordinary Shares under the Note Deed, and to approve the issue of Ordinary Shares upon the conversion of the Notes under the Note Deed. The parties to the Note Deed have agreed in writing that the meeting seeking such Shareholder approval may be held on the later date of 6 March 2019.
- (ii) Despite any other term of the Note Deed, Oracle and the Company agree that the conversion of any or all the Notes in accordance with paragraph (f), and the issue of any Ordinary Shares upon conversion of any or all of the Notes in accordance with that paragraph, is subject to the receipt of Shareholder approval in accordance with paragraph (h)(i) above. In the event that the Company is not able to obtain the Shareholder approval referred to in paragraph (h)(i) above or if it fails to convene a Shareholders' meeting by 28 February 2019 (or such later date as the parties may agree in writing, and which meeting the parties have now agreed may take place on the later date of 6 March 2019), the parties agree and acknowledge that, despite any other term of the Note Deed:
 - (A) the provisions of the Note Deed that allow for the conversion of the Notes into Ordinary Shares will not come into operation or effect;
 - (B) the Notes cannot be converted into Ordinary Shares under the Note Deed;

- (C) the Company will not have any obligation under the Note Deed to issue Ordinary Shares to Oracle; and
 - (D) the Principal Sum in respect of each Note issued, together with all accrued interest, can only be redeemed or purchased by the Company in accordance with the Note Deed, which will operate in satisfaction of the Company's obligation to Oracle in respect of the Principal Sum together with all accrued interest and all the liabilities, obligations and covenants under the Note Deed of the Company in respect of the Notes shall be immediately discharged, released and extinguished in full.
- (iii) The Principal Sum in respect of each Note issued together with all accrued interest, will become immediately due and payable in the event the Company is not able to obtain the Shareholder approval referred to above or if it fails to convene a Shareholders' meeting by 28 February 2019 (or such later date as the parties may agree in writing). The parties to the Note Deed have agreed in writing that the meeting seeking such Shareholder approval may be held on the later date of 6 March 2019.

(i) No transfer without approval

- (i) The Notes may not be transferred other than with the Company's prior written consent, which may be withheld, or given subject to conditions, at the Company's sole and absolute discretion.
- (ii) Subject always to paragraph (i) above Notes may only be transferred to a person or persons who fall within one or more of the categories specified in sections 708(8), 708(10) or 708(11) of the Corporations Act and any such person or persons will be required to make the covenants set out in clause 1.6 of the Note Deed in favour of the Company in a deed entered into between Oracle, the transferee and the Company.

(j) Status of Notes

A Note issued under the Note Deed does not confer on Oracle any entitlement to:

- (i) vote at a general meeting of Shareholders;
- (ii) receive dividends; or
- (iii) participate in any pro rata rights issue, bonus issue or other equivalent offer or invitation of Ordinary Shares or other Securities to the holders of Ordinary Shares,

other than upon conversion of the Note in accordance with the terms of the Note Deed.

ANNEXURE B – TERMS AND CONDITIONS OF ANNEUXRE B OPTIONS

(a) Entitlement

Each Annexure B Option entitles the holder to subscribe for one Ordinary Share upon exercise of the Annexure B Option.

(b) Exercise Price

Subject to paragraph (k), the amount payable upon exercise of each Annexure B Option will be \$0.02745, being 150% of the Company's Share price calculated on the basis of 85% of the VWAP of the Shares on the ASX over the five (5) consecutive Trading Days which immediately preceded the date of the Note Deed (irrespective of whether or not Shares were traded on the ASX on any or all of those Trading Days) (**Exercise Price**). For the purposes of calculating the above VWAP, if the Shares were not traded on the ASX on any of the relevant Trading Days, the Share price on such a Trading Day will be the closing Share price on the last preceding Trading Day on which Shares were traded on the ASX.

(c) Expiry Date

Each Annexure B Option will expire at 5:00 pm (WST) on 31 December 2021 (**Expiry Date**). An Annexure B Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) Exercise Period

The Annexure B Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) Notice of Exercise

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

(f) Exercise Date

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

(g) Timing of issue of Ordinary Shares on exercise

Within 5 business days after the Exercise Date, the Company will:

- (i) allot and issue the number of Ordinary Shares required under these terms and conditions in respect of the number of Annexure B Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Ordinary Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Ordinary Shares issued pursuant to the exercise of the Annexure B Options.

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

(h) Ordinary Shares issued on exercise

Ordinary Shares issued on exercise of the Annexure B Options rank equally with the then issued shares of the Company.

(i) Quotation of Annexure B Options

The Annexure B Options will be unlisted options and the Company does not intend to make an application to ASX for quotation of the Annexure B Options.

(j) Quotation of Ordinary Shares issued on exercise

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

(k) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Annexure B Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) Participation in new issues

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

(m) Change in exercise price

An Annexure B Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Annexure B Option can be exercised.

(n) Transferability

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

PROXY FORM

**APPOINTMENT OF PROXY
CAZALY RESOURCES LIMITED
ACN 101 049 334**

GENERAL MEETING

I/We

of

being a member of Cazaly Resources Limited entitled to attend and vote at the General Meeting, hereby
Appoint

Name of proxy

OR

☐

the Chair as your proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held **at 2.00pm (WST), on 6 March 2019 at Level 2, 38 Richardson Street, West Perth WA 6005, and at any adjournment thereof.**

I/We acknowledge that the Chair intends to vote all available proxies in favour of each of Resolutions 1 and 2.

Voting on Business of the General Meeting

Ordinary Resolution 1 – Approval for Issue of Notes as Convertible Securities to Nominees of Oracle
Ordinary Resolution 2 – Ratification of Issue of Annexure B Options to Nominees of Oracle

FOR AGAINST ABSTAIN

☐☐☐☐☐☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority.

If two proxies are being appointed, the proportion or number of voting rights this proxy represents is _____

Signature of Member(s):

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

CAZALY RESOURCES LIMITED
ACN 101 049 334

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion or number of the Shareholder's voting rights. If a Shareholder appoints two proxies and the appointment does not specify this proportion or number, each proxy may exercise half the votes. Fractions will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to Vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Proxy Voting):** Sections 250BB and 250BC of the Corporations Act broadly provide that:
 - if proxy holders vote, they must cast all directed proxies as directed; and
 - any directed proxies which are not voted will automatically default to the chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

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

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the Chair – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the Chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

If a proxy is also a Shareholder, the proxy can cast any votes the proxy holds as a Shareholder in any way that the proxy sees fit.

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that if:

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

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

4. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of Attorney):** If you have not already provided 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, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
5. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the Shareholder is present at the General Meeting.
6. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and:
 - (a) deliver the Proxy Form by hand to the Company's registered office at Level 2, 38 Richardson Street, West Perth, Western Australia 6005;
 - (b) post it to Cazaly Resources Limited, PO Box 396, West Perth, WA 6872; or
 - (c) send it by facsimile to the Company on facsimile number +61 8 9322 6398,
 - (d) send by email to mrobbins@cazalyresources.com.au

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.
