

## CAZALY RESOURCES LIMITED

### \$9 MILLION SHAREHOLDER CASH DISTRIBUTION AND NOTICE OF ANNUAL GENERAL MEETING

- **Board Determination** that, subject to business as usual and Shareholder approval, there will be a cash distribution of \$0.026 per share (approximately \$9 million) paid to Shareholders in December 2019 with a record date of 25 November 2019
- **Proposed payment date** on or around 3 December 2019
- **Cash distribution**, based on today's issued capital of 346,113,267 Shares, is:
  - a Return of Capital (\$0.021 per share), and
  - an Unfranked Dividend (\$0.005 per share)
- **Return of Capital is Subject to Shareholder Approval – Notice of Annual General Meeting attached**
- **Actions Required by Shareholders to Optimise Participation – Forms attached**

Dear Shareholders,

Following the recent completion by Cazaly Resources Limited ("**Cazaly**" or "**the Company**") of the sale of all of Cazaly's interest in the Parker Range the Parker Range Iron Ore Project (ASX announcement dated 30 August 2019) and of 80% of Cazaly's interest in the Mt Venn Project (ASX announcement dated 20 September 2019), the Directors completed a review of the Company's capital management options and have determined that the Company's current cash reserves exceed its current capital requirements. Pursuant to this determination, the Company intends, subject to Company shareholder ("**Shareholder**") approval for part, to return a sum to Shareholders as follows:

#### 1. Determining to Distribute Cash to Shareholders in December 2019

- Having considered the Company's Charter, their risk and other policies; contractual obligations, future project opportunities and a Board covenant to hold a minimum of \$2 million cash at all times; and subject to 'business as usual' conditions, the Board has made a determination to pay a cash distribution to Shareholders of \$0.026 per fully paid ordinary share in the capital of the Company ("**Share**") (~\$9 million) on or about 3 December 2019.
- The cash distribution would comprise of a \$0.005 per Share unfranked dividend which is hereby declared ("**Unfranked Dividend**") and an approx. \$7.257m or \$0.021 per Share return of capital ("**Return of Capital**") based on today's issued capital of 346,113,267 Shares. **The Record Date for both the Unfranked Dividend and the Return of Capital will be 25 November 2019.**

#### 2. Issues and Actions For/By Shareholders

- The proposed Return of Capital component requires the prior approval by Shareholders to proceed via an ordinary resolution, which will be sought at the Company's upcoming Annual General Meeting set down for 20 November 2019. Further details of the proposed Return of Capital are provided in a Notice of Annual General Meeting that accompanies this letter.

- The Directors have determined that the proposed distributions be made via electronic funds transfer and that the Company's share registry, Advanced Share Registry (**Advanced**), will manage the distribution process.
- The Notice of Annual General Meeting includes general commentary in relation to the various matters concerning the proposed distributions, and the Company notes the following:
  - a. Post **payment by electronic funds transfer**, Advanced will send (via post or email) the appropriate Statement for Tax Purposes;
  - b. If Shareholders **have not registered their bank details** prior to the cash distribution, their funds will be held on trust in accordance with the Company's constitution;
  - c. Non-resident holders who do not have an account with Australian Financial Institution will be paid in Australian dollars by cheque;
  - d. Shareholders should retain the Statement for Tax Purposes because the Return of Capital will result in a reduction in each Shareholders cost base and will likely have tax implications should Shareholders sell their Shares;
  - e. Shareholders should seek independent, professional advice in relation to the tax implications. Neither the Company nor any of its directors, officers, employees or advisors assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed Return of Capital but the Company has been advised that the Return of Capital should not represent 'taxable income' and should be applied as a reduction to the cost base of your shares in the Company as per "d" above; and
  - f. The above notwithstanding, Shareholders who have **Not Registered their Tax File Number** with Advanced will have tax withheld and remitted to the ATO on their behalf.

### 3. Administration for Shareholders

The Company will be providing further updates in due course. Please be aware that these will almost exclusively be via the '**Investor Information**' page on its web site at [www.cazalyresources.com.au](http://www.cazalyresources.com.au), with minimal updates being posted or emailed to Shareholders directly.

- Shareholders are encouraged to go to <https://www.advancedshare.com.au/Investor-Login> to update their TFN and Banking details. If you are already a member of Advanced Share Registry's investor portal, please click on member login and log in using your email and password. If you are not a member, please click on Register and register as a member with your email and password. You will require your SRN or HIN to do the registration process.
- **Alternatively**, Shareholders can complete the forms attached to this letter and return them to Advanced (110 Stirling Highway, Nedlands WA 6009).

The Company welcomes communication from Shareholders in respect of the planned cash distribution and if you have any queries please send an email to [mrobbins@cazalyresources.com.au](mailto:mrobbins@cazalyresources.com.au). As well as your question, please include the name of the entity your Cazaly shares are held in and a return contact telephone number.

**Yours faithfully**

**Nathan McMahon and Clive Jones**  
**Joint Managing Directors**

*For further information please contact:*

Nathan McMahon / Clive Jones  
 Joint Managing Directors  
 Cazaly Resources Limited  
 Tel: +618 9322 6283  
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## CAZALY RESOURCES LIMITED

ACN 101 049 334

## NOTICE OF ANNUAL GENERAL MEETING

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**TIME:** 11.00am (WST)  
**DATE:** 20 November 2019  
**PLACE:** Level 2  
38 Richardson Street  
WEST PERTH WA 6005

*This Notice of Annual 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 Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9322 6283.*

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**IMPORTANT INFORMATION**

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**TIME AND PLACE OF MEETING**

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Notice is given that the Annual General Meeting of the Shareholders convened by this Notice of Meeting will be held at 11.00am (WST) on 20 November 2019 at:

Level 2  
38 Richardson Street  
WEST PERTH WA 6005

**YOUR VOTE IS IMPORTANT**

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

**ATTENDANCE AND VOTING ELIGIBILITY**

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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 18 November 2019 will be taken, for the purposes of this Annual 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**

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

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the 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](mailto:mrobbins@cazalyresources.com.au)

so that it is received not later than 11.00am (WST) on 18 November 2019.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF MEETING

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Notice is given that the Annual General Meeting of Shareholders of Cazaly Resources Limited will be held at **Level 2, 38 Richardson Street, West Perth, Western Australia at 11.00am (WST) on Wednesday 20 November 2019.**

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Annual 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

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### FINANCIAL STATEMENTS AND REPORTS

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**To receive and consider** the 2019 Financial Report together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

### RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

*"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report."*

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

#### Voting Prohibition Statement:

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

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

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

### RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR CLIVE JONES

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

*"That Mr Clive Jones, a Joint Managing Director, who retires by rotation in accordance with the Constitution, and being willing and eligible for re-election, is re-elected as a Director."*

### RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

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

*"That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions 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 is expected to participate in, or who may obtain a material benefit as result of, the proposed issue of Equity Securities under this Resolution (except a benefit solely by reason of being a holder of ordinary securities in Cazaly), or an associate 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 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.

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#### RESOLUTION 4 – RATIFICATION OF THE ISSUE OF 10,000,000 SHARES UNDER A PRIVATE PLACEMENT

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 ratify the prior issue of 10,000,000 ordinary fully paid shares to Gold Valley Iron Pty Ltd under a strategic private placement, 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 Gold Valley Iron Pty Ltd as referred to in the Explanatory Statement having regard to the resolution or any of its 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.

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#### RESOLUTION 5 – REFRESH APPROVAL OF THE PROPORTIONAL TAKEOVER PROVISIONS

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

*“That approval of the proportional takeover provisions in Part 26 of the Company’s Constitution be refreshed for a further period of three years from the date of the Meeting.”*

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#### RESOLUTION 6 – APPROVAL OF CAZALY RESOURCES LIMITED SECURITIES INCENTIVE PLAN

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 7.2 (Exception 9) and for all other purposes, approval is given to adopt the Company’s Securities Incentive Plan and to issue securities under that plan, and to issue Shares pursuant to those securities, from time to time upon the terms and conditions summarised in the Explanatory Memorandum as an exception to ASX Listing Rule 7.1.”*

##### **Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by a Director (except one who is ineligible to participate in any incentive plan in relation to the Company) and any associates of such a Director. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

##### **Voting Prohibition Statement:**

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

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

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

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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#### RESOLUTION 7 – APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER CAZALY RESOURCES LIMITED SECURITIES INCENTIVE PLAN

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

*“That, for the purpose of sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the giving of termination benefits under the Company’s Securities Incentive Plan by the Company to a person or their associates in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate of the Company, as detailed in the Explanatory Memorandum.”*

**Voting Prohibition Statement:**

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

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

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

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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**RESOLUTION 8 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR NATHAN MCMAHON**

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 10.11, and for all other purposes, the Company is authorised to issue up to 4,000,000 Director Options to Mr Nathan McMahon, who is a Director, and/or his nominee(s), 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 the Resolution by Mr Nathan McMahon or any of his 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 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.

**Voting Prohibition Statement**

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

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

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

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**RESOLUTION 9 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR CLIVE JONES**

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 10.11, and for all other purposes, the Company is authorised to issue up to 4,000,000 Director Options to Mr Clive Jones, who is a Director, and/or his nominee(s), 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 the Resolution by Mr Clive Jones or any of his 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 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.

**Voting Prohibition Statement**

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

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

- (b) a Closely Related Party of such a member

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

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#### RESOLUTION 10 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR TERRY GARDINER

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 10.11, and for all other purposes, the Company is authorised to issue up to 2,000,000 Director Options to Mr Terry Gardiner, who is a Director, and/or his nominee(s), 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 the Resolution by Mr Terry Gardiner or any of his 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 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.

##### Voting Prohibition Statement

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

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

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

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#### RESOLUTION 11 – APPROVAL OF EQUAL CAPITAL REDUCTION

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

*"That, for the purposes of sections 256B and 256C of the Corporations Act and for all other purposes, approval is given for the reduction in share capital of Cazaly by approximately \$7,257,000, such reduction of capital to be effected by Cazaly paying to each registered Shareholder as at 5.00pm (WST) on 25 November 2019 (Record Date), the amount of \$0.021 for each Share held by that Shareholder on the Record Date, as more particularly described and on the terms and conditions set out in the Explanatory Memorandum."*

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#### 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](mailto: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).

If you intend to appoint another member of the KMP (such as one of the Directors) or one of their Closely Related Parties as your proxy, please ensure that you direct them how to vote on Resolutions 1, 6, 7, 8, 9 and 10. If you leave your proxy form undirected on Resolutions 1, 6, 7, 8, 9 and 10 the relevant KMP (other than the Chair) and their Closely Related Parties will not be able to vote your shares on those resolutions. If the Chair is your proxy and you do not direct the Chair how to vote in respect of Resolutions 1, 6, 7, 8, 9 and 10 on the proxy form, you will be deemed to have directed and expressly authorised the Chair to vote your proxy in favour of Resolutions 1, 6, 7, 8, 9 and 10. This express authorisation acknowledges that the Chair may vote your proxy even though Resolutions 1, 6, 7, 8, 9 and 10 are connected directly or indirectly with the remuneration of a KMP and even though the Chair may have an interest in the outcome of those resolutions and is prohibited from voting on those resolutions (other than as authorised proxy holder) because of that interest.

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.

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

You do not need to direct your proxy how to vote.

**It is the Chair's intention to vote all undirected proxies in favour of all Resolutions.**

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**DATED: 17 OCTOBER 2019**

**BY ORDER OF THE BOARD**

**MIKE ROBBINS**

**COMPANY SECRETARY**

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## EXPLANATORY MEMORANDUM

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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 Annual General Meeting at the annual general meeting of Shareholders to be held at **Level 2, 38 Richardson Street, West Perth, Western Australia 6005 at 11.00am (WST) on Wednesday 20 November 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 Annual 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.

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the 2019 Financial Report together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

The Company will not provide a hard copy of the 2019 Financial Report to Shareholders unless specifically requested to do so. The 2019 Financial Report is available on its website at [www.cazalyresources.com.au](http://www.cazalyresources.com.au).

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### 2. ADOPTION OF REMUNERATION REPORT (RESOLUTION 1)

#### 2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Board or the Company.

#### 2.2 Voting Consequences

Under changes to the Corporations Act which came into effect on 1 July 2011 (known as the 'two strikes' rule), if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report at the two consecutive annual general meetings, the company will be required to put to shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the company's AGM where the second consecutive strike is received. All of the directors, other than a Managing Director, who were in office when the board approved the last directors' report and who remain in office at the time of the Spill Meeting, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as directors is approved will be the directors of the company.

The Audited Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Audited Remuneration Report is part of the Directors' Report contained in the 2018 Financial Report.

At the Company's previous annual general meeting, held on 23 November 2018, less than 25% of votes were cast against the remuneration report at that meeting. Accordingly the Spill Resolution is not relevant for this Annual General Meeting.

#### *Directors' Recommendation*

The Directors, at their discretion, recommend that Shareholders vote in favour of adopting the Remuneration Report.

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### 3. RE-ELECTION OF DIRECTOR – MR CLIVE JONES (RESOLUTION 2)

#### 3.1 Background

Clause 11.3 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest one-third, shall retire

from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three (3) years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

The Company currently has three (3) Directors and accordingly one (1) must retire by rotation.

Mr Clive Jones retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, seeks re-election. The profile of Mr Clive Jones is set out in the 2019 Financial Report.

#### ***Directors' Recommendation***

The Directors (other than Mr Clive Jones) recommend that Shareholders vote in favour of Resolution 2.

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### **4. APPROVAL OF 10% PLACEMENT CAPACITY (RESOLUTION 3)**

#### ***4.1 Purpose of resolution***

The purpose of this special resolution is to authorise the Directors to seek Shareholder approval to allow it to issue a further 10% of the Company's issued share capital under Listing Rule 7.1A during the 10% Placement Period in addition to and without using the Company's 15% placement capacity under Listing Rule 7.1.

The additional 10% placement capacity under Listing Rule 7.1A is in addition to the existing 15% annual placement capacity available under Listing Rule 7.1.

#### ***4.2 General information***

Listing Rule 7.1A came into effect on 1 August 2012 and enables "eligible entities" to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting if the Equity Securities are in an existing quoted class of the Company's securities ("**10% Placement Facility**"). The 10% Placement Facility is in addition to the Company's 15% placement annual capacity under Listing Rule 7.1.

An "eligible entity" for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

The Company is an eligible entity and has a current market capitalisation of \$15.6 million.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility during the period up to 12 months after the Meeting. As Resolution 3 is a special resolution 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

If Shareholders approve Resolution 3 the exact number of Equity Securities that may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.3 (c) below).

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon the issue of any Equity Securities under the 10% Placement Facility.

#### ***4.3 Description of Listing Rule 7.1A***

##### **(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting, which is in addition to its 15% annual placement capacity.

##### **(b) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has two classes of quoted Equity Securities, namely Shares and Quoted Options.

(c) **Formula for calculating Additional 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

**(a x d) – e**

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

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% annual placement capacity without shareholder approval;
- (iv) less the number of fully paid shares cancelled in the 12 months.

Note that **A** has the same meaning in Listing Rule 7.1 when calculating an entity's 15% annual placement capacity.

*d* is 10%

*e* is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 346,113,267 Shares on issue and therefore has a capacity to issue:

- (i) 15% or 51,916,990 Equity Securities under Listing Rule 7.1; and
- (ii) 10% or 34,611,327 Equity Securities subject to Shareholder approval being sought under this Resolution 3 under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities, or the agreement date, in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.3(c) above).

(e) **Information required by Listing Rule 7.3A**

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

**Minimum Price**

The minimum price at which Equity Securities may be issued under the 10% Placement Facility is 75% of the VWAP of securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities are to be issued is agreed; or
- if they are not issued within 5 Trading Days of the date above, the date on which the Equity Securities are issued.

**Date of Issue**

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

- the date that is 12 months after the date of this Meeting; or
- the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

## Risk of economic and voting dilution

If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below.

Shareholders should note that there is a risk that:

- the market price for the Equity Securities to be issued may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.
- a) Any issue of Equity Securities under the 10% Placement Facility will dilute the interests of Shareholders who do not receive any Shares under the issue. If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Facility, the economic and voting dilution of existing Shares would be as shown in the table below.
  - b) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice, assuming the full 10% dilution.
  - c) The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Facility.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.024 50% decrease in Issue Price	\$0.048 Issue Price	\$0.072 50% increase in Issue Price
<b>Current Variable A</b> 346,113,267 Shares	<b>Shares issued</b>	34,611,327 Shares	34,611,327 Shares	34,611,327 Shares
	<b>Funds raised</b>	\$830,672	\$1,661,344	\$2,492,016
<b>50% increase* in current Variable A</b> 519,169,901 Shares	<b>Shares issued</b>	51,916,990 Shares	51,916,990 Shares	51,916,990 Shares
	<b>Funds raised</b>	\$1,246,008	\$2,492,016	\$3,738,023
<b>100% increase* in current Variable A</b> 692,226,534 Shares	<b>Shares issued</b>	69,222,653 Shares	69,222,653 Shares	69,222,653 Shares
	<b>Funds raised</b>	\$1,661,344	\$3,322,687	\$4,984,031

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued under Listing Rule 7.1.

The table has been prepared on the following assumptions:

- The current Shares on issue are the Shares on issue at 16 October 2019.
- The issue price set out above is the closing price of the Shares on the ASX on 16 October 2019.
- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility hence the voting dilution is shown in each example as 10%.
- The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances, and if necessary seek advice from their professional advisers.
- No unquoted Options are exercised into Shares before the date of issue of the Equity Securities.
- The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, and not dilution under the 15% placement capacity under ASX Listing Rule 7.1, under ASX Listing Rule 7.2, or Shareholder approvals under ASX Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares.

## Purpose of issue under 10% Placement Facility

The Company may seek to issue the Equity Securities for the following purposes:

- as cash consideration, in which case the Company intends to use the funds raised towards continued exploration and development of the Company's projects, the evaluation and acquisition of new opportunities and general working capital; or

- as non-cash consideration for the exploration and development of the Company's projects, the evaluation and acquisition of new assets and other investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

#### Allocation under the 10% Placement Facility

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the purpose of the issue;
- the alternative methods of raising funds that are available to the Company, including but not limited to, an entitlement issue or other issue in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the circumstances of the Company, including but not limited to the financial situation and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders, who are not related parties of the Company or their associates.

#### Previous Approval under ASX Listing Rule 7.1A

The Company last obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 23 November 2018.

#### Voting Exclusion

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not invited any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

#### 4.4 Listing Rule 7.3A.6 Details of Equity Securities issued during last 12 months

Date of Issue	27 November 2018	18 December 2018	18 December 2018	21 January 2019	21 March 2019
Number issued	6,500,000	2,452,459	29,920,000	2,250,000	29,000,000
Class/Type	Director Options	Ordinary Shares	Unquoted Options	Unquoted Options	Ordinary Shares
Summary of Terms	Exercisable on or before 26 November 2020 @ \$0.06	NA	Exercisable on or before 31 December 2021 @ \$0.02745	Exercisable on or before 26 November 2020 @ \$0.06	Placement
Name of Persons Issued Securities	McMahon, Jones & Gardiner	Meriwa Street, Sabre Power, Oracle Securities & Atlantic View	Various convertible note holders	Employees	Professional or sophisticated investors
Deemed/Issue Price	Nil	\$0.0183	Nil	Nil	\$0.025
Discount to market	NA	NA	NA	NA	Nil
CASH ISSUES					
Cash Received	Nil	NA	Nil	Nil	\$725,000
Cash Spent	Nil	NA	Nil	Nil	\$725,000
Use of Cash	NA	NA	NA	NA	Ongoing exploration, new project opportunities and working capital
Cash Unspent	NA	NA	NA	NA	\$Nil
NON-CASH ISSUES					
Non-cash consideration	Unquoted Options	Consulting fees on convertible notes	Unquoted Options	Unquoted Options	NA
Current value of non-cash consideration	\$35,645 using Black Scholes at issue date	\$110,361	\$480,590 using Black Scholes at issue date	\$12,371 using Black Scholes at issue date	NA

Date of Issue	21 March 2019	10 June 2019	10 June 2019	10 June 2019	10 June 2019
Number issued	14,500,000	1,000,000	500,000	15,043,110	10,000,000
Class/Type	Unquoted Options	Ordinary Shares	Unquoted Options	Ordinary Shares	Ordinary Shares
Summary of Terms	Exercisable on or before 31 March 2021 @ \$0.05	Placement	Exercisable on or before 31 March 2021 @ \$0.05	Conversion of notes	Placement
Name of Persons Issued Securities	Professional or sophisticated investors	Gardiner	Gardiner	Various note holders	Gold Valley Iron
Deemed/Issue Price	Nil	\$0.025	Nil	\$0.0183	\$0.03
Discount to market	NA	Nil	NA	NA	Nil
<b>CASH ISSUES</b>					
Cash Received	Nil	\$25,000	Nil	NA	\$300,000
Cash Spent	Nil	\$25,000	Nil	NA	\$300,000
Use of Cash	NA	Ongoing exploration, new projects and working capital	NA	NA	Ongoing exploration, new projects and working capital
Cash Unspent	NA	\$Nil	NA	NA	\$Nil
<b>NON-CASH ISSUES</b>					
Non-cash consideration	NA	NA	NA	\$275,289	NA
Current value of non-cash consideration	NA	NA	NA	NA	NA

Date of Issue	23 August 2019	10 September 2019	17 September 2019
Number issued	28,331,099	27,720,000	2,200,000
Class/Type	Ordinary Shares	Ordinary Shares	Ordinary Shares
Summary of Terms	Conversion of notes	Conversion of unquoted options	Conversion of unquoted options
Name of Persons Issued Securities	Various note holders	Various note holders	Atlantic Capital View
Deemed/Issue Price	\$0.0183	\$0.02745	\$0.02745
Discount to market	NA	NA	NA
<b>CASH ISSUES</b>			
Cash Received	NA	\$760,914	\$60,390
Cash Spent	NA	Nil	Nil
Use of Cash	NA	Ongoing exploration, new projects and working capital	Ongoing exploration, new projects and working capital
Cash Unspent	NA	\$Nil	\$Nil
<b>NON-CASH ISSUES</b>			
Non-cash consideration	\$518,459	NA	NA
Current value of non-cash consideration	NA	NA	NA

Pursuant to and in accordance with Listing Rule 7.3A.6(a), the total number of Equity Securities issued since the date of the last AGM held on 23 November 2018 is as follows:

Class/Type	On Issue 23 November 2018	Number Issued Since 23 November 2018	% Issued Since 23 November 2018
Ordinary Shares	230,366,599	115,746,668	50.2%
Unquoted Options	18,750,000	23,750,000	126.6%
Total	249,116,599	139,496,668	56.0%

#### **Directors' Recommendation**

The Directors consider that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under ASX Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should it be required and which will be in addition to, and without using, the Company's 15% annual placement capacity. At the date of the notice, the Company has no plans to use the 10% Placement Facility should it be approved. Accordingly the Directors recommend that Shareholders vote in favour of resolution 3.



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## 5. RATIFICATION OF THE ISSUE OF 10,000,000 SHARES UNDER A PRIVATE PLACEMENT (RESOLUTION 4)

### 5.1 Background

On 11 June 2019, the Company announced the proposed sale of Parker Range iron ore project to a private Australian iron ore development group, Gold Valley Iron Pty Ltd (**Gold Valley**). Part of the agreed commercial terms of the sale included a strategic placement investment by Gold Valley of \$300,000 involving a subscription for 10,000,000 ordinary shares in the Company. The 10,000,000 Shares were issued on 10 June 2019.

### 5.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, Equity Securities (which includes shares) that exceed 15% of the total number of fully paid 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 securities 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 securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

If Shareholders approve Resolution 4, the issue of 10,000,000 Shares will be excluded from the calculations of the 15% limit under ASX Listing Rule 7.1.

The following information is provided for the purpose of ASX Listing Rule 7.5.

(a) *Number of securities issued*

10,000,000 Shares

(b) *Issue price of securities*

\$0.03 each.

(c) *Terms of the securities*

Shares were issued fully paid and rank parri passu in all respects with the Company's other Shares on issue.

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

Gold Valley Iron Pty Ltd

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

Funds were used for further exploration and development work on Cazaly projects and for general working capital purposes.

### Directors' Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 4, as it ratifies the above issue of Shares and retains the Company's flexibility to issue further securities representing up to 15% of the Company's Share capital during the next 12 months.

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## 6. REFRESH APPROVAL OF THE PROPORTIONAL TAKEOVER PROVISIONS (RESOLUTION 5)

### 6.1 Background

The Proportional Takeover Provisions contained in part 26 of the Constitution require, under the Corporations Act, the renewal of the approval for the provisions every three years or the provisions will cease to have effect. The current provisions were approved for renewal by Shareholders at the Company's 2016 Annual General Meeting.

The Constitution includes part 26 (in reference to the proportional takeover provisions) as set out in Annexure A to this Explanatory Memorandum. The Corporations Act requires the Company to provide Shareholders with an explanation of the proportional takeover approval provisions so that Shareholders may make an informed decision on whether to support or oppose the resolution.

As Resolution 5 is a special resolution 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

### ***What is a proportional takeover bid, and why do we need the proportional takeover approval provisions?***

A proportional takeover bid involves the bidder offering to buy only a proportion of each Shareholder's Shares. This means that control of the Company may pass without Shareholders having the chance to sell all their Shares to the bidder. It also means the bidder may take control of the Company without paying an adequate amount for gaining control. In order to deal with this possibility, a company may provide in its constitution that:

- in the event of a proportional takeover bid being made for shares in the Company, shareholders are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
- the majority decision of the Company's shareholders will be binding on all individual members.

The Directors consider that Shareholders should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without Shareholders being given the opportunity to dispose of all of their Shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid Shareholders feeling pressure to accept the bid even if they do not want it to succeed.

### ***What is the effect of the proportional takeover approval provisions?***

If a proportional takeover bid is made, the Directors must ensure that shareholders vote on a resolution to approve the bid more than 14 days before the bid period closes. The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. However, the bidder and their associates are not allowed to vote. If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Constitution. The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act. However, the Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are renewed. The provisions may be renewed, or reinserted upon the expiry of the initial three-year period, but only by a special resolution passed by shareholders.

### ***Potential advantages and disadvantages***

While the renewal of the takeover provisions will allow the Directors to ascertain members' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted. The provisions ensure that all members have an opportunity to study a proportional bid proposal and vote on the bid at a general meeting. This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of members, including appropriate pricing. Similarly, knowing the view of the majority of members may help individual members assess the likely outcome of the proportional takeover when determining whether to accept or reject the offer. However, it is also possible that the inclusion of such provisions in the Constitution may discourage proportional takeover bids, and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of members to freely deal with their Shares.

The Board considers that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages.

As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### ***Directors' Recommendation***

The Board recommends that Shareholders vote in favour of Resolution 5.

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**7. APPROVAL OF CAZALY RESOURCES LIMITED SECURITIES INCENTIVE PLAN (RESOLUTION 6) AND APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER THE CAZALY RESOURCES LIMITED SECURITIES INCENTIVE PLAN (RESOLUTION 7)**

**7.1 Background to Resolution 6**

Resolution 6 is a resolution which seeks Shareholder approval for a new Cazaly Resources Limited Securities Incentive Plan (**Incentive Plan**). A summary of the terms and conditions is set out in Annexure A to this Notice.

Listing Rule 7.1 places certain restrictions on the extent to which a listed company may issue certain equity securities, including options. The effect is that shareholder approval is required before the company may issue equity securities representing more than 15% of the capital of the company within a 12 month period. However, certain issues are exempt from the restrictions of Listing Rule 7.1 and are effectively disregarded for the purposes of determining the number of securities which a company may issue within a 12 month period. Exempt issues include an issue of securities to persons participating in an employee incentive scheme where shareholders have approved the issue of securities under the scheme as an exemption from Listing Rule 7.1. Shareholder approval must be given in a general meeting held not more than 3 years before the date of issue when the notice of meeting contains or is accompanied by certain prescribed information (set out below) (Exception 9 of Listing Rule 7.2).

In order to take advantage of the exemption from Listing Rule 7.1 and allow the Company flexibility to issue securities, Shareholders are requested to approve the issue of securities under the Incentive Plan (**Plan Securities**) as an exemption from Listing Rule 7.1. This approval will be effective for a period of three (3) years from the date of the Resolution. It should be noted that Resolution 6 does not approve the issue of any Plan Securities to any Director, employee or consultant of the Company. Plan Securities cannot be granted to Directors or associates of the Company unless prior approval of Shareholders is obtained in accordance with the Listing Rules.

The main purpose of the Incentive Plan is to give an additional reward to Directors, employees and consultants of the Company to provide dedicated and ongoing commitment and effort to the Company, and for the Company to reward its Directors, employees and consultants for their efforts. The Incentive Plan is a reward plan designed to increase the motivation of personnel and create a stronger link between increasing Shareholder value and personnel reward.

If convertible securities issued under the Plan are exercised, it will have the effect of increasing the Company's cash position by the amount of the exercise price multiplied by the number of Plan convertible securities exercised. It will also increase the number of Shares that are on issue by the number of Plan convertible securities exercised.

Shares issued pursuant to the exercise of Plan convertible Securities will rank *pari passu* in all respects with the Company's existing Shares.

Application will not be made for official quotation on the ASX of the Plan Securities.

The Board believes that the Incentive Plan will:

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the rewards of key personnel with the achievements of strategic goals and the performance of the Company;
- align the financial interest of participants in the Incentive Plan with those of shareholders of the Company; and
- provide reward to participants in the Incentive Plan to focus on superior performance that creates shareholder value.

**7.2 ASX Listing Rule 7.2 (Exception 9(b)) Disclosure Requirements**

In accordance with Listing Rule 7.2 (Exception 9(b)), the following information is disclosed to Shareholders for the purposes of Resolution 6:

A summary of the terms and conditions of the Incentive Plan are set out in Annexure A to this Notice of Meeting.

A voting exclusion statement is included in the Notice.

No offers have been made under the Incentive Plan as at the date of this Notice or will have been made at the date of the Meeting.

### ***Directors' Recommendation for Resolution 6***

As the Directors may have a personal interest in Resolution 6, the Directors make no recommendation as to how Shareholders should vote on this resolution.

### ***7.3 Section 200B of the Corporations Act***

The Corporations Act restricts the benefits which can be given to certain persons (those who hold a managerial or executive office, as defined in the Corporations Act) on leaving their employment or office with the Company or any of its related bodies corporate. Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or its related bodies corporate if it is approved by shareholders or an exemption applies. This applies to all Directors and to all key management personnel of the Company (that is, to all persons whose remuneration is required to be disclosed in the Remuneration Report), including those who are not Directors. Additionally, persons subject to the restrictions remain subject to them for at least three years after they cease to hold a managerial or executive office.

Under the terms and conditions of the proposed Incentive Plan (the subject of Resolution 6), circumstances in which the early vesting of convertible Plan Securities are permitted at the Board's discretion include termination of a participant's employment, engagement or office with the Company due to death, permanent incapacity, mental incapacity, redundancy, resignation, retirement or any other reason the Board decides, or in other circumstances where the Board exercises its discretion to allow early vesting as well as change of control events. The termination "benefit" under section 200B of the Corporations Act has a wide operation and relevantly includes, in the context of Resolution 6, the early vesting of Plan Securities upon the exercise of the Board's discretion or the Board determining to provide that the participant's Plan Securities do not lapse but will continue and be vested in the ordinary course.

Resolution 7 seeks approval of any "termination benefit" that may be provided to a participant under the terms and conditions of Plan Securities that might be issued in the future to persons who from, time to time, hold a managerial or executive office (as defined in the Corporations Act) in the Company, to the extent permitted by law. The Company will obtain any Shareholder or other approvals that may be required before any Plan Securities are granted to Directors or associates of the Company.

Resolution 7 is conditional upon the passing of Resolution 6 (which seeks Shareholder approval of the Incentive Plan). In the event that Resolution 6 is not passed, Resolution 7 will be withdrawn and will not be put to Shareholders.

Specifically, Shareholder approval is being sought to give the Board (or the Boards' delegate) the capacity to exercise certain discretions under the terms and conditions of Plan Securities to be issued in the future to persons who hold a managerial or executive office (as defined in the Corporations Act) in the Company to the extent permitted by law (under Resolution 6), including the discretion to determine to vest some or all of the unvested Plan Securities of any such person.

The Company is seeking approval to assist the Company in meeting its existing obligations to the Directors and employees of the group, and to provide the Company with the flexibility to continue to remunerate employees fairly and responsibly.

If the relevant Shareholder approvals are obtained under Resolutions 6 and 7, and the Board exercises its discretion to vest some or all of an affected participant's unvested Plan Securities, (or to provide that the participant's Plan Securities do not lapse but will continue and be vested in the ordinary course), the value of these benefits will be disregarded when calculating the relevant participant's statutory cap for the purposes of section 200F(2)(b) or section 200G(1)(c) of the Corporations Act.

The terms and conditions of the Incentive Plan are summarised in Annexure A to this Notice of Meeting.

### ***7.4 Section 200E of the Corporations Act***

Section 200E of the Corporations Act requires certain information to be provided to shareholders in approving a termination benefit. Whilst the value of the proposed termination benefits cannot currently be ascertained, the manner in which the value of the proposed termination benefits is calculated, and the matters, events and circumstances that will, or are likely to, affect the calculation of the value are as follows:

- (a) Details of the termination benefits  
The terms and conditions of any Plan Securities to be issued in the future may contain provisions dealing with the early vesting of unvested Plan Securities in certain circumstances. For example, where the holder's office with the Company is terminated before the Plan Securities have vested, the Plan Securities may vest in the Board's discretion and the basis on which vesting may occur (which may include, without limitation, timing and

conditions). Similarly, if a “change of control” occurs, the Board may determine that some or all of a participant’s unvested Plan Securities will vest. The Board may also determine to provide that the participant’s Plan Securities do not lapse but will continue and be vested in the ordinary course. The exercise of these and other discretions in the Incentive Plan will constitute a “benefit” for the purposes of the Corporations Act’s termination benefits provisions.

Shareholder approval is sought for future issues of Plan Securities under Resolution 7, to the extent permitted by law, for exercise of these and other discretions in the Incentive Plan that will constitute a benefit for the purposes of the Corporations Act’s termination benefits provisions. The Company will obtain any required Shareholder or other approvals before issuing Plan Securities to Directors or associates of the Company. The exercise of these discretions will constitute a “benefit” for the purposes of the Corporations Act’s termination benefits provisions.

(b) Value of the termination benefits

The value of the termination benefits under the proposed terms and conditions of the Plan Securities cannot be determined in advance as various matters will, or are likely to affect that value. Specifically, if any Plan Securities are issued in the future, the value of a particular benefit will depend on the Company’s Share price at the time of vesting and the number of Plan Securities that vest or the Board decides to vest. Some of the future factors that may affect the value of the termination benefits are as follows:

- (i) the holder’s length of service and the proportion of any relevant performance periods that have expired at the time their office is terminated;
- (ii) the holder’s total fixed remuneration at the time the Plan Securities are issued and at the time they leave employment; and
- (iii) the number of unvested Plan Securities held at the time their office is terminated; and
- (iv) the reasons for termination of their office.

Despite an approval by Shareholders of Resolution 6 and Resolution 7, any future grant of Plan Securities to a Director or his or her associates will remain subject to the Company obtaining any required Shareholder or other approval for their issue.

***Directors’ Recommendation for Resolution 7***

As the Directors may have a personal interest in Resolution 7 the Directors make no recommendation as to how Shareholders should vote on this resolution.

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**8. APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO DIRECTORS (RESOLUTIONS 8 – 10)**

**8.1 Background**

Resolutions 8 to 10 inclusive seek the approval of Shareholders for the issue of up to 10,000,000 Director Options to Directors and/or their nominee(s) for the purposes ASX Listing Rule 10.11. as follows:

Resolution	Director	# of Director Options (*)
Resolution 8	Nathan McMahon	4,000,000
Resolution 9	Clive Jones	4,000,000
Resolution 10	Terry Gardiner	2,000,000

(\*) Expiry date on or before 5.00pm WST on the date that is three (3) years less one day following the date of issue at an exercise price that is 150% of the volume weighted average price for Shares traded on the ASX over the five (5) Trading Days immediately preceding the day of the Annual General Meeting.

ASX Listing Rule 10.11 provides that, subject to certain exceptions (none of which are relevant here), a company must not issue or grant securities to a related party without shareholder approval.

The object of Resolutions 8 to 10 inclusive is to provide the Directors with a mechanism to participate in the future development of the Company and an incentive for their future involvement with and commitment to the Company. The Directors believe that the success of the Company in the future will depend in part, largely, upon the skills of the people engaged to manage the Company’s operations. Accordingly it is important that the Company is able to attract and retain people of the highest calibre. The Directors consider that the most appropriate means of achieving this is to provide directors with an opportunity to participate in the Company’s future growth and an incentive to contribute to that growth.

If Shareholder approval is obtained for Resolutions 8 to 10 inclusive, the Director Options will be granted within one month of Shareholder approval.

## **8.2 Terms of Director Options**

Subject to Shareholder approval, the Director Options will be granted on the terms and conditions set out in Annexure B to this Explanatory Memorandum.

## **8.3 Part 2E of the Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The issue of the Director Options to Messrs McMahon, Jones and Gardiner under Resolutions 8, 9 and 10 respectively, constitutes the provision of a financial benefit to related parties.

It is the view of the Directors that the proposed grant of Director Options pursuant to Resolutions 8, 9 and 10, falls within the exception under section 211 of the Corporations Act (reasonable remuneration) given the circumstances of the Company and the positions held by Messrs McMahon, Jones and Gardiner. Accordingly, the Directors have determined not to seek Shareholder approval under section 208 of the Corporations Act for the grant of the Director Options to Messrs McMahon, Jones and Gardiner pursuant to Resolutions 8, 9 and 10 respectively.

The Board's view concluded that the totality of Messrs McMahon, Jones and Gardiner's remuneration packages, including the equity component of 10,000,000 Director Options now to be considered for approval by Shareholders, is fair and reasonable in the circumstances of Cazaly given its size and stage of development, market practice of other companies in the mineral exploration industry and given the necessity to attract and retain the highest calibre of skilled professionals to the Company whilst maintaining the Company's cash reserves, and in light of Messrs McMahon, Jones and Gardiner's management experience and knowledge of the mineral exploration industry.

## **8.4 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolutions 8 to 10 inclusive seek this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11 pursuant to Resolutions 8 to 10 inclusive is set out below:

### *(a) Name of the persons*

Mr Nathan McMahon and/or his nominee(s).

Mr Clive Jones and/or his nominee(s).

Mr Terry Gardiner and/or his nominee(s).

### *(b) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued*

The maximum number of Director Options proposed to be issued to Mr Nathan McMahon and/or his nominee under Resolution 8 is 4,000,000.

The maximum number of Director Options proposed to be issued to Mr Clive Jones and/or his nominee under Resolution 9 is 4,000,000.

The maximum number of Director Options proposed to be issued to Mr Terry Gardiner and/or his nominee under Resolution 10 is 2,000,000.

### *(c) The date by which the entity will issue the securities, which must not be more than one month after the date of the meeting*

The Director Options will be issued within one month of the date of the Meeting.

(d) *The issue price of the securities and a statement of the terms of issue*

No consideration is payable by Messrs McMahon, Jones and Gardiner on grant of the Director Options. Once granted the Director Options are exercisable at the price that is 150% of the volume weighted average price for Shares traded on the ASX over the five (5) Trading Days immediately preceding the day of the Annual General Meeting.

(e) *The intended use of funds raised*

As the Director Options are being issued for no consideration, not funds will be raised by their issue. Any funds received by the Company upon exercise of the Director Options will be used for general exploration and for working capital purposes.

## **8.5 ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Approval pursuant to ASX Listing Rule 7.1 is not required (under Exception 14 to ASX Listing Rule 7.1) in order to issue the Director Options to Messrs McMahon, Jones and Gardiner and/or their nominee(s) as approval is being obtained under ASX Listing Rule 10.11.

Shareholders should note that the issue of securities to Messrs McMahon, Jones and Gardiner and/or their nominee(s) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

### **Directors' Recommendation**

Mr Nathan McMahon declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Nathan McMahon) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 8.

Mr Clive Jones declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Clive Jones) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 9.

Mr Terry Gardiner declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Terry Gardiner) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 10.

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## **9. APPROVAL OF EQUAL CAPITAL REDUCTION (RESOLUTION 11)**

### **9.1 Background**

The Directors have completed a review of the Company's capital management options and have determined that the Company's current cash reserves exceed its current capital requirements. Pursuant to this determination, the Company intends, subject to Shareholder approval, to return a sum to Shareholders.

Subject to no material adverse change to business conditions, the Board has determined to return approximately \$9 million (being an amount equivalent to \$0.026 per Share on issue) to Shareholders in December 2019 (**Dec 2019 Distribution**) of which \$0.021 cents per Share (80.63% of the Dec 2019 Distribution) would be a return of capital subject to the passing of Resolution 11 and otherwise as set out below. This is based on the Company having 346,113,267 Shares on issue as at the date of the Dec 2019 Distribution.

At the time of the Dec 2019 Distribution the Company will have capacity to pay Shareholders an unfranked dividend of approximately \$1.743 million (\$0.005 per Share and 19.73% of the Dec 2019 Distribution). The Directors have declared to pay an unfranked dividend of \$0.005 per Share with a record date of 25 November 2019 and, subject to Shareholder approval,

to pay a capital return of the balance (approximately \$7.257 million). Shareholder approval is not required for the Company to pay the proposed unfranked dividend.

The Board has considered the alternatives available to the Company regarding the application of its cash reserves, and is of the opinion that a return of capital to Shareholders on the terms set out in this Notice is the optimal use of the Company's cash reserves for Shareholders for the following reasons:

- (a) the amount proposed to be returned to Shareholders is in excess of the Company's current and reasonably foreseeable needs;
- (b) the Board is not aware of any current strategic investment opportunities, nor is the Board aware of or expects any to arise in the short term, which are consistent with the Company's business objectives or business plan; and
- (c) the cash reserves of the Company following the proposed return of capital will continue to be at a level to meet all reasonably foreseeable costs and still allow for new investment opportunities to be undertaken.

Following completion of the proposed Dec 2019 Distribution, it is estimated that the Company will have net cash reserves of approximately \$11.8 million and 346,113,267 Shares on issue.

Resolution 11 is subject to:

- (a) there being no material changes to the Company's budgeted financial position at the proposed time of the capital return;
- (b) the Company obtaining Shareholder approval under this Resolution 11; and
- (c) the Company satisfying section 256B of the Corporations Act on the payment date of the capital return.

Set out below is additional information relevant to the capital return in order to assist Shareholders to make a decision as to whether to approve Resolution 11.

## **9.2 Additional Information for Shareholders**

### **(a) Entitlement to participate**

All Shareholders who are recognised on the Company's share register as at the record date, being 5.00pm (WST) on Monday, 25 November 2019 (**Record Date**) will be entitled to participate in the Dec 2019 Distribution, subject to Shareholder approval for the capital return only.

### **(b) Amount of entitlement – capital return**

Each Shareholder who participates in the Dec 2019 Distribution will receive a capital return of \$0.021 for each Share held as at the Record Date. Entitlements will be rounded up to the nearest cent.

The Dec 2019 Distribution will be paid to Shareholders via electronic funds transfer. If Shareholders have not registered their bank details with the Company's share registry Advanced prior to Tuesday, 3 December 2019, the funds will be held on trust by the Company in accordance with the Constitution, until electronic funds transfer details are provided, or the funds are otherwise dealt with in accordance with the Constitution. Shareholders should visit the Company's website for further details.

### **(c) Indicative timetable Dec 2019 Distribution**

The Company has lodged with ASIC a copy of this Notice of Meeting and the Explanatory Statement pursuant to section 256C of the Corporations Act.

If Resolution 11 is passed, the Dec 2019 Distribution will take effect in accordance with the indicative timetable as follows:

Event	Date
Meeting held (AGM)	Wednesday 20 November 2019
Shares commence trading on an "ex return of capital" basis	Friday 22 November 2019
Record Date for determining entitlement to participate in dividend and return of capital	5pm (WST) Monday 25 November 2019
Dividend and return of capital paid to Shareholders	Tuesday 3 December 2019



**Note:**

The dates shown in the table above are indicative only and may vary subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to vary the date the entitlement will be paid to Shareholders without prior notice. Any variation to the above dates will be published on the Company's website.

### **9.3 Shareholder Approval and Regulatory Requirements**

#### **(a) Equal Reduction**

The capital reduction is an "equal capital reduction" in accordance with section 256B(2) of the Corporations Act as:

- (i) it relates only to ordinary Shares in the capital of the Company;
- (ii) it applies to each holder of ordinary shares in the same proportion to the number of ordinary shares they hold in the Company; and
- (iii) the terms of the reduction are the same for each holder of ordinary shares in the Company.

#### **(b) Regulatory Requirements**

Under section 256C of the Corporations Act the capital reduction must be approved by an ordinary resolution passed at a general meeting of the Company. Resolution 11 seeks this approval from Shareholders. An ordinary resolution requires a simple majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

Under section 256B of the Corporations Act, the Company must not affect a reduction of capital unless it:

- (i) is fair and reasonable to the Shareholders as a whole;
- (ii) does not materially prejudice the Company's ability to pay its creditors; and
- (iii) is approved by Shareholders.

It is the opinion of the Directors that:

- (a) the capital return component of the Dec 2019 Distribution is fair and reasonable to all Shareholders as it will apply to all Shareholders on the Record Date equally, in proportion to the number of Shares which they hold at the Record Date;
- (b) after having considered the financial position of the Company (including current and reasonably foreseeable future creditors), the capital return component of the Dec 2019 Distribution does not materially prejudice the Company's ability to pay its creditors as the Company will have sufficient cash reserves to pay its creditors after the capital return; and
- (c) the Company will remain solvent following the Dec 2019 Distribution.

However, Shareholders should consider their own individual circumstances, including in relation to their personal tax consequences, and seek professional advice.

The Directors have considered the advantages and disadvantages of the capital return, as follows.

#### **Advantages**

The Directors believe that a key advantage in approving the capital return and repatriating capital on excess of current requirements is that it will enable the Company to return a sum of money to its Shareholders in excess of the available dividends and reward Shareholders for their support of the Company.

Unless Shareholders have purchased Shares in the Company at less than \$0.021 per Share the return of capital is not in itself expected to trigger a taxable event (though participating Shareholders should seek their own tax advice).

The alternatives to making the return of capital are to hold the capital in reserve until such time as sufficient accounting profits emerge or significant new project opportunities arise.

Given the time value of money, the Directors believe Shareholders will be better advantaged by having cash returned to them sooner than would be the case if a return of cash was delayed.

### Disadvantages

A disadvantage of the proposed return of capital is that following its implementation the Company will have a reduced capital base from which to operate. However, the Directors are of the opinion that the current capital base is in excess of the Company's current requirements. Also, the post return of capital net cash reserves of approximately \$11.8 million will be sufficient to pursue new project opportunities, exploration on current projects and working capital requirements.

### **ASX Listing Rule 7.20 information including effect on capital structure**

For the purposes of ASX Listing Rule 7.20, the Company provides the following information to Shareholders regarding the effect of the return of capital on its securities.

The Company has 346,113,267 Shares on issue as at the date of this Notice.

After the return of capital, Cazaly's share capital will be reduced by \$0.021 per Share, which as at the date of this Notice amounts to approximately \$7.257 million (subject to rounding). The capital return will have no effect on the number of Shares held by Shareholders, the paid amount in relation to Shares held by Shareholders or on their proportionate interests in the Share capital of the Company.

Fractional entitlements will be rounded up to the nearest cent.

No Shares will be cancelled in connection with the return of capital. Accordingly, the return of capital will not affect the number of Shares held by each Shareholder, nor will it affect the control of the Company.

The effect of the return of capital on the Options currently on issue is set out in Section 9.8(c).

### **9.4 Impact on growth strategies**

In view of the financial position of Cazaly, the operating results, and Cazaly's capacity to raise additional finance if required, the Board considers that the return of capital will not materially impact Cazaly's ability to fund its current operations.

The Board believes that the proposed capital return will leave the Company sufficiently capitalised to progress its business whilst also taking into account the interests of all stakeholders.

### **9.5 Share price impact**

If the proposed return of capital is implemented, Shares are expected to trade at a lower price following the 'ex' date for the return of capital than they would have done had the return of capital not been made. This is due to the outflow of funds to Shareholders.

Given that the Company's Share price is below \$0.20 and is likely to decrease following the return of capital, a waiver of ASX Listing Rule 7.25 is required. A waiver has been granted by the ASX in relation to ASX Listing Rule 7.25 to the extent necessary to permit the Company to undertake the return of capital.

## 9.6 Impact on financial position of the Company

As a guide to assist Shareholders, the Company has prepared the pro forma balance sheet set out below to illustrate the effect of the return of capital on the Company's financial position.

	<b>Audited Consolidated 30-6-19 \$</b>	<b>Sale of Parker Range And Mt Venn Adjustments \$</b>	<b>Proposed Capital Return Adjustments \$</b>	<b>Pro-forma Consolidated 30-6-19 \$</b>
<b>ASSETS</b>				
Cash and cash equivalents	836,709	21,000,000	(7,257,000)	14,579,709
Trade and other receivables	97,959	-	-	97,959
Non current assets held for sale	16,875,456	(16,875,456)	-	-
Financial assets	155,058	-	-	155,058
Property, plant and equipment	25,419	-	-	25,419
Exploration and evaluation assets	4,128,235	-	-	4,128,235
<b>TOTAL ASSETS</b>	<b>22,118,836</b>	<b>-</b>	<b>-</b>	<b>18,986,380</b>
<b>LIABILITIES</b>				
Trade and other payables	165,021	-	-	165,021
Provisions	143,564	-	-	143,564
Convertible Notes	362,241	-	-	362,241
<b>TOTAL LIABILITIES</b>	<b>670,826</b>	<b>-</b>	<b>-</b>	<b>670,826</b>
<b>NET ASSETS</b>	<b>21,448,010</b>			<b>18,315,554</b>
<b>EQUITY</b>				
Issued capital	31,288,827		(7,257,000)	24,031,827
Reserves	777,627	4,124,544		4,902,171
Accumulated losses	(10,603,110)			(10,603,110)
Non-controlling interest	(15,334)			(15,334)
<b>TOTAL EQUITY</b>	<b>21,448,010</b>	<b>-</b>	<b>-</b>	<b>18,315,554</b>

## 9.7 Approval by Shareholders

The requirement for Shareholder approval of the capital return will be satisfied if the Resolution is passed at the Meeting.

## 9.8 Effect of the Proposed Capital Return

### (a) Effect on the Company

The capital return will be paid entirely from the Company's cash reserves. The effect of the capital return is that the Company's cash resources will be reduced by the amount of capital returned to Shareholders (approximately \$7.257 million), whilst the paid-up capital will decrease by this amount (see Section 9.6 above).

To illustrate the effect of the December 2019 capital return and the Dec 2019 Distribution on the Company's financial position, the unaudited pro-forma balance sheet of the Company on a post-capital return basis is set out in Section 9.6 above.

**(b) Effect on Shareholders**

The effect of the capital return is that Shareholders will receive \$0.021 for each Share held on the Record Date (rounded up to the nearest cent). The capital return will have no effect on the number of Shares held by Shareholders, the paid amount in relation to Shares held by Shareholders or on their proportionate interests in the Share capital of the Company.

**(c) Effect on Option holders**

As at the date of this Notice, the Company has 33,550,000 Options on issue. Options do not carry an entitlement to receive a payment as part of any partial return of the Company's share capital or dividend and no Options will be cancelled or reorganised. However, Listing Rule 7.22.3 provides that, in a return of capital, the number of Options must remain the same and the exercise price of each Option must be reduced by the same amount as the amount returned in relation to each Share. The table below details the current Options on issue as well as the impact on the exercise price of those Options:

No. of Options	Expiry Date	Current Exercise Price	New Exercise Price <sup>(1)</sup>
2,500,000	22/08/2020	\$ 0.216	\$ 0.195
7,300,000	31/12/2019	\$ 0.06	\$ 0.039
6,500,000	26/11/2020	\$ 0.06	\$ 0.039
2,250,000	26/11/2020	\$ 0.06	\$ 0.039
14,500,000	31/03/2021	\$ 0.05	\$ 0.029
500,000	31/03/2021	\$ 0.05	\$ 0.029

Note: <sup>(1)</sup> The new exercise prices are dependent on Resolution 11 being passed and on an equal capital reduction occurring.

If any Options are exercised into Shares by the relevant record date (or record dates) for any cash distribution to Shareholders, those new Shares will carry entitlements to participate in such cash distribution, which in turn would reduce the cents per Share to be returned to Shareholders (due to the larger number of Shares participating in aggregate). The exercise price of any further Options issued by the Company (such as those the subject of Resolutions 8 to 10 inclusive) will be subject to Listing Rule 7.22.3.

**(d) Effect on Creditors**

Cazaly has undertaken significant work to assess the impact of the return of capital on Cazaly's ability to pay its creditors, including current and reasonably foreseeable future claimants.

Cazaly has considered its financial position under a range of possible business and operating environments in order to assess Cazaly's capacity to meet the claims of all of its creditors, including current and reasonably foreseeable future obligations, following the return of capital. The review concluded that, even in the reasonable worst case scenarios that were considered, Cazaly would have the capacity to meet the claims of its creditors, including future obligations, following the proposed return of capital.

As a consequence of the matters referred to above, the Directors are satisfied that the return of capital will not materially prejudice Cazaly's ability to pay its creditors.

**9.9 Tax Implications for Shareholders**

The summary in this Section is general in nature. In addition, particular taxation implications will depend on the circumstances of each Shareholder. Accordingly, Shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither the Company nor any of its directors, officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed return of capital.

**(a) Capital return**

The Company confirms its understanding that for Shareholders who are tax residents of Australia and hold their Shares on capital account for tax purposes:

- (i) the proposed capital return should not be assessable as a dividend upon receipt;
- (ii) if the cost base of a Share acquired is less than the capital return amount (on a cents per Share basis) then an immediate capital gain may arise for the difference; and
- (iii) otherwise, the cost base for each Share will be reduced by the capital return amount (on a cents per Share basis) for the purpose of calculating any capital gain or loss on the ultimate disposal of that Share.

For those Shareholders who are not tax residents of Australia and hold their shares on capital account for tax purposes, no Australian capital gain or loss should arise as a consequence of the capital return and the proposed capital return should not be assessable as a dividend upon receipt.

**(b) Non-Residents**

Existing Shareholders who are not residents of Australia for tax purposes should seek specific advice in relation to the taxation consequences arising from the return of capital under the laws of their country of residence.

**9.10 No other material information**

Other than as set out in this Notice, and information previously disclosed to Shareholders, there is no information that is known to the Directors which may reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 11.

**9.11 Directors' Interests and Recommendations**

Some of the Directors are Shareholders and accordingly they will be taking part in the Dec 2019 Distribution. No Director will receive any payment or benefit of any kind as a consequence of the Dec 2019 Distribution, other than as a Shareholder.

The table below sets out the relevant interests of the Directors in the Company as at the date of this Notice of Meeting, and the cash figure each Director will receive in the Dec 2019 Distribution if Resolution 11 is passed and implemented in full:

Director	No of Shares Held	Expected cash return December 2019 capital return only	Expected cash return December 2019 unfranked dividend
Nathan McMahon	29,366,142	\$615,698	\$147,911
Clive Jones	16,329,904	\$342,377	\$82,250
Terry Gardiner	5,071,500	\$106,330	\$25,544

Each of the Directors that holds Shares is thereby entitled to vote at the Annual General Meeting intends to vote in favour of Resolution 11.

Resolution 11 is an ordinary resolution.

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## GLOSSARY

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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.

**2019 Financial Report** means the Company's financial report for the financial year ended 30 June 2019, which can be downloaded from the Company's website at [www.cazalyresources.com.au](http://www.cazalyresources.com.au).

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

**Annexure** means an annexure to this Explanatory Memorandum.

**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.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) that may be made for this purpose.

**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.

**Dec 2019 Distribution** is defined in Section 8.1.

**Director** means a director of the Company.

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

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

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

**Gold Valley** means Gold Valley Iron Pty Ltd.

**Incentive Plan** means the Cazaly Resources Limited Securities Incentive Plan.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

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

**Option** means an option to acquire a Share.

**Plan Securities** is defined in Section 7.1.

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

**Record Date** is defined in Section 8.2(a).

**Remuneration Report** means the remuneration report set out in the Directors' Report section of the 2019 Financial Report.

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

**Section** means a section of this Explanatory Memorandum unless specified otherwise.

**Securities** means Shares and Options.

**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 – SUMMARY OF THE TERMS AND CONDITIONS OF CAZALY RESOURCES LIMITED SECURITIES INCENTIVE PLAN

The Cazaly Resources Limited Securities Incentive Plan (**Plan**) is being considered for approval by Shareholders at the Annual General Meeting. The full terms of the Plan may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Plan is set out below:

- (a) (**Eligible Participant**): Eligible Participant means a person that:
- (i) is an "eligible participant" (as that term is defined in ASIC Class Order 14/1000) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order 14/1000); and
  - (ii) has been determined by the Board to be eligible to participate in the Plan from time to time.
- (b) (**Purpose**): The purpose of the Plan is to:
- (i) assist in the reward, retention and motivation of Eligible Participants;
  - (ii) link the reward of Eligible Participants to Shareholder value creation; and
  - (iii) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.
- (c) (**Plan administration**): The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.
- (d) (**Eligibility, invitation and application**): The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.

On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company.

The Board may accept an application from an Eligible Participant in whole or in part.

If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.

- (e) (**Grant of Securities**): The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.
- (f) (**Terms of Convertible Securities**): Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Plan.

Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

- (g) (**Vesting of Convertible Securities**): Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.
- (h) (**Exercise of Convertible Securities and cashless exercise**): To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation.

An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.



**Market Value** means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation. A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

- (i) **(Delivery of Shares on exercise of Convertible Securities):** As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.
- (j) **(Forfeiture of Convertible Securities):** Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest.

Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (i) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
  - (ii) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.
- (k) **(Change of control):** If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.
- (l) **(Rights attaching to Plan Shares):** All Shares issued under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, (**Plan Shares**) will rank *pari passu* in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.
- (m) **(Disposal restrictions on Plan Shares):** If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

- (i) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
  - (ii) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.
- (n) **(Adjustment of Convertible Securities):** If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

- (o) **(Participation in new issues):** There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.
- (p) **(Amendment of Plan):** Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under

the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

- (q) **(Plan duration):** The Plan continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

## ANNEXURE B – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

Each Director Option entitles the holder to subscribe for Shares on the following terms and conditions:

- 1. Entitlement**  
Each Director Option entitles the holder to subscribe for one Share upon exercise of each Director Option.
- 2. Exercise Price**  
The exercise price of each Director Option will be the price that is 150% of the volume weighted average price for Shares traded on the ASX over the five (5) Trading Days immediately preceding the day of the Annual General Meeting.
- 3. Expiry Date**  
Each Director Option has an expiry date being three (3) years less one day from the date of grant.
- 4. Exercise Period**  
Each Director Option is exercisable at any time on or before the date being three (3) years less one day from the date of grant.
- 5. Notice of Exercise**  
Each Director Option may be exercised by notice in writing to the Company. Any notice of exercise of Director Options received by the Company will be deemed to be a notice of the exercise of the Director Option as at the date of receipt.
- 6. Timing of issue of Shares**  
After a Director Option is validly exercised, the Company must as soon as possible:
  - (a) issue and allot the Share; and
  - (b) do all such acts matters and things to obtain the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Director Option.
- 7. Shares issued on exercise**  
Shares issued on exercise of the Director Options rank equally with the then shares of the Company.
- 8. 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 Director Options. No application will be made to ASX for Official Quotation of the Director Options.
- 9. Participation in new issues**  
There are no participation rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options.  
  
However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least three business days after the issue is announced. This will give holders of Director Options the opportunity to exercise their Director 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 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 Director Option will be increased by the number of Shares which the Director Option holder would have received if the Director Option holder had exercised the Director 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 (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of a Director Option will be reduced according to the following formula:

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

- O = the old Exercise Price of the Director Option.
- E = the number of underlying Shares into which one Director Option is exercisable.
- P = average market price 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 reconstruction of the issued share capital of the Company, the rights of the Director Option holders will be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

**13. Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the options with the appropriate remittance should be lodged with the Company Secretary, at the Company's registered office.

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## PROXY FORM

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

### ANNUAL GENERAL MEETING

I/We

of

being a member of Cazaly Resources Limited entitled to attend and vote at the Annual 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 Annual General Meeting to be held **11.00am (WST), on Wednesday 20 November 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 to 11 (inclusive).**

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#### Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Ordinary Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 2 – Re-election of Director – Mr Clive Jones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution 3 – Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 4 – Ratification of Issue of 10,000,000 Shares Under a Private Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution 5 – Refresh Approval of Proportional Takeover Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 6 – Approval of Cazaly Resources Limited Securities Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 7 – Approval of Termination Benefits under Cazaly Securities Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 8 – Approval of Issue of Director Options to Mr Nathan McMahon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 9 – Approval of Issue of Director Options to Mr Clive Jones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 10 – Approval of Issue of Director Options to Mr Terry Gardiner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 11 – Approval of Equal Capital Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**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 be counted in computing the required majority.

Where I/we have appointed the Chair as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy in respect of Resolutions 1, 6, 7, 8, 9 and 10 (except where I/we have indicated a different voting intention above) even though Resolutions 1, 6, 7, 8, 9 and 10 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

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 Annual 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 Annual General Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Annual 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 Annual 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](mailto: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.**

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