



10 June 2020

## Notice of General Meeting and Proxy Form

De Grey Mining Limited (ASX: DEG, **De Grey** or **Company**) invites you to attend a General Meeting of shareholders to be held at QV1 Building Theatre, 250 St Georges Terrace, Perth, Western Australia at 11.00am WST on 10 July 2020.

In accordance with section 5(1)(f) of the Corporations (Coronavirus Economic Response) Determination (No. 1) 2020 made by the Commonwealth Treasurer on 5 May 2020, the Notice of General Meeting, accompanying Explanatory Statement and Schedules ("**Meeting Materials**") are being made available to shareholders electronically.

You are able to view and download the Meeting Materials online from the Company website, and specifically the announcements page [degreymining.com.au/asx-announcements](http://degreymining.com.au/asx-announcements)

If you have nominated an email address and have elected to receive electronic communications with the Company's share registry, Automic Group Pty Ltd, you will receive an email to your nominated email address with a link to an electronic copy of the **Meeting Materials**.

In order to be able to receive electronic communications from the Company in the future, please update your shareholder details online at [investor.automic.com.au/#/signup](http://investor.automic.com.au/#/signup) and log in with your unique shareholder identification number you can find on your Personalised Proxy form.

Once logged in you can complete your proxy vote online [investor.automic.com.au/#/loginsah](http://investor.automic.com.au/#/loginsah). If you prefer not to vote online, please return the attached proxy form in accordance with the instructions contained within the Meeting Materials and the Personalised Proxy form.

As a valued shareholder in the Company, we look forward to your participation in the meeting.

If you have any difficulties obtaining a copy of the Notice of Meeting please contact the Company's share registry, Automic Group Pty Ltd, on 1300 288 664 (within Australia) or +61 2 9698 5414 (Overseas).

A copy of both the abovementioned Meeting Materials and Proxy form are attached herewith.

This ASX release has been authorised for lodgement to the ASX by the Chairman of De Grey.

**For further information:**

**Simon Lill** (*Chairman*) or

**Craig Nelmes/Pat Holywell** (*Company Secretaries*)

**De Grey Mining Ltd**

Phone +61 8 6117 9328

[admin@degreymining.com.au](mailto:admin@degreymining.com.au)

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**DE GREY MINING LTD**  
**ACN 094 206 292**  
**NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 11:00 am WST  
**DATE:** Friday, 10 July 2020  
**PLACE:** QV1 Building Theatrette  
250 St Georges Terrace  
PERTH, Western Australia  
6000

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

***This Notice of Meeting 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.***

***The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on Wednesday, 8 July 2020.***

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES

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

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 92,196,430 Shares at an issue price of \$0.28 per Share, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or is a counterparty to the agreement being approved. However, this does not apply to a vote cast in favour of a resolution by:

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

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#### 2. RESOLUTION 2 – APPROVAL TO ISSUE SHARES TO DGO GOLD LIMITED

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

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 18,232,142 Shares at an issue price of \$0.28 per Share to DGO Gold Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of DGO Gold Limited (or its nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity). However, this does not apply to a vote cast in favour of a resolution by:

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

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### 3. RESOLUTION 3 – ISSUE OF SHARES TO RELATED PARTY - PETER HOOD AO

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

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,000,000 Shares to Peter Hood (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Peter Hood (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.

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

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

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### 4. RESOLUTION 4 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”*

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### 5. RESOLUTION 5 – INCREASE IN TOTAL AGGREGATE REMUNERATION FOR NON-EXECUTIVE DIRECTORS

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

*“That, for the purposes of clause 14.8 of the Constitution, Listing Rule 10.17 and for all other purposes, Shareholders approve an increase of the total aggregate amount of fees payable to non-executive Directors from \$250,000 per annum to \$700,000 per annum in accordance with the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a Director or an associate of that person or those persons.

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

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

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

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

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

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## 6. RESOLUTION 6 – ISSUE PERFORMANCE RIGHTS TO RELATED PARTY – GLENN JARDINE

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

*“That, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue Performance Rights to Glenn Jardine (or his nominee) under the Incentive Performance Rights Plan on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or any associates of those Directors (**Resolution 6 Excluded Party**). 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, provided the Chair is not a Resolution 6 Excluded Party, 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 person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:

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

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**7. RESOLUTION 7 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO DIRECTOR – ANDREW BECKWITH**

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

*“That, for the purposes of section 195(4) and section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue \$150,000 worth of Zero Exercise Price Options to Andrew Beckwith (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or any associates of those Directors (**Resolution 7 Excluded Party**). 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, provided the Chair is not a Resolution 7 Excluded Party, 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 person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

Provided the Chair is not a Resolution 7 Excluded Party, the above prohibition does not apply if:

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

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**8. RESOLUTION 8 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO DIRECTOR – SIMON LILL**

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

*“That, for the purposes of section 195(4) and section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue \$120,000 worth of Zero Exercise Price Options to Simon Lill (or their nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or any associates of those Directors (**Resolution 8 Excluded Party**). 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, provided the Chair is not a Resolution 8 Excluded Party, 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 person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

Provided the Chair is not a Resolution 8 Excluded Party, the above prohibition does not apply if:

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

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**9. RESOLUTION 9 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO DIRECTOR – EDUARD ESHUYS**

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

*“That, for the purposes of section 195(4) and section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue \$48,000 worth of Zero Exercise Price Options to Eduard Eshuys (or their nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or any associates of those Directors (**Resolution 9 Excluded Party**). 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, provided the Chair is not a Resolution 9 Excluded Party, 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 person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

Provided the Chair is not a Resolution 9 Excluded Party, the above prohibition does not apply if:

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



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**10. RESOLUTION 10 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO DIRECTOR – BRUCE PARNCUTT AO**

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

*“That, for the purposes of section 195(4) and section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue \$48,000 worth of Zero Exercise Price Options to Bruce Parncutt (or their nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or any associates of those Directors (**Resolution 10 Excluded Party**). 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, provided the Chair is not a Resolution 10 Excluded Party, 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 person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

Provided the Chair is not a Resolution 10 Excluded Party, the above prohibition does not apply if:

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

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**11. RESOLUTION 11 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO DIRECTOR – PETER HOOD AO**

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

*“That, for the purposes of section 195(4) and section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue \$48,000 worth of Zero Exercise Price Options to Peter Hood (or their nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or any associates of those Directors (**Resolution 11 Excluded Party**). 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, provided the Chair is not a Resolution 11 Excluded Party, 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 person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

Provided the Chair is not a Resolution 11 Excluded Party, the above prohibition does not apply if:

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

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**Dated: 10 June 2020**

**By order of the Board**



**Simon Lill  
Chairman**

## **Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- 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 the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware 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.

## **Submit your Proxy Vote Online**

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Vote online at <https://investor.automic.com.au/#/loginsah>, and simply follow the instructions on the enclosed proxy form.

Or alternatively;

## **Submit your Proxy Vote by Paper**

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If you do not wish to vote online, then it is necessary to complete in accordance with the detailed instructions set out on the enclosed Proxy Form.

The return of your completed form (ONLY if you do NOT vote online) can be done by one of the following ways;

### **BY MAIL**

Automic  
GPO Box 5193  
SYDNEY NSW 2001

### **IN PERSON**

Automic  
Level 5,  
126 Phillip Street  
SYDNEY NSW 2000

### **BY EMAIL**

[meetings@automicgroup.com.au](mailto:meetings@automicgroup.com.au)

## **Voting in person**

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To vote in person, Shareholders are able to attend the Meeting at the time, date and place set out above. In light of on the status of the evolving COVID-19 situation and easing of Government restrictions on public gatherings in place at the time of the Notice and the number of Shareholders that normally attend Shareholder meetings for the Company the Directors have made a decision that Shareholders will be able to physically attend the Meeting in person and accordingly, have arranged an appropriate meeting venue. If the Government restrictions and corresponding decision of the Director's changes prior to the Meeting the Directors will update Shareholders via the Company's ASX platform.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6117 9328.***

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. BACKGROUND TO RESOLUTIONS 1 TO 3

As announced on 28 April 2020, the Company received firm commitments for a placement of approximately 111.4 million Shares, at an issue price of \$0.28 per Share, to raise \$31.2 million (**Placement**).

Under the Placement, the Company issued 92,196,430 Shares to sophisticated and professional investors on 4 May 2020 (the subject of Resolution 1).

In addition subject to Shareholders approving Resolutions 1 and 3, the Company will issue as part of the Placement, a further:

- (a) 18,232,142 Shares to DGO Gold Limited (a substantial (10%+) holder, who has nominated two Directors to the Board); and
- (b) 1,000,000 Shares to Mr Peter Hood, a Director of the Company.

Bell Potter Securities Limited and Argonaut Securities Pty Ltd (together, the **Joint Lead Managers**) acted as joint lead managers to the Placement.

Funds raised under the placement will be used to continue exploration activities across the Company's Mallina Gold Project, with a priority of work associated with determining the scale of the Hemi deposit, regional exploration drilling within the Scooby to Antwerp Trend, which includes the Hemi deposit, as well as for ongoing administration and corporate costs.

Please refer to the Company's announcement on 28 April 2020 for further details with respect to the Placement, specifically the commitment at that time of DGO Gold Limited and Mr Peter Hood to their proposed participation in the placement, subject to shareholder approval.

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### 2. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES

#### 2.1 General

On 4 May 2020 (**Issue Date**), the Company issued 92,196,430 Shares under the Placement (**Issue**). The Issue was made under the Company's existing placement capacity pursuant to Listing Rule 7.1.

#### 2.2 Listing Rule 7.1 and 7.4

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

The Issue does not fit within any of these exceptions and, as it has not yet been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue.

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

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

Accordingly, Resolution 1 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the Issue.

### **2.3 Technical Information required by Listing Rule 14.1A**

If Resolution 1 is not passed, the Shares issued will be included in calculating the Company's 15% placement capacity under Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Shares.

If Resolution 1 is passed, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **2.4 Listing Rule 7.5**

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share Issue, the subject of Resolution 1 in accordance with Listing Rule 7.5:

- (a) 92,196,430 Shares were issued to professional and sophisticated investors participating in the Placement, who mainly are clients of the Joint Lead Managers. The recipients were identified through a bookbuild process, which involved the Joint Lead Managers seeking expressions of interest to participate in the capital raising from non-related parties of the Company. None of the recipients are related parties of the Company;
- (b) the Shares were issued on 4 May 2020 at an issue price of \$0.28 per Share. The Company has not and will not receive any other consideration for the issue of the Shares;
- (c) the Shares are fully paid ordinary shares in the capital of the Company, ranking equally in all respects with the Company's existing Shares on issue;
- (d) the issue was made in order to fund exploration activities across the Company's Mallina Gold Project, with a priority of work associated with determining the scale of the Hemi deposit, regional exploration drilling within the Scooby to Antwerp Trend, which includes the Hemi deposit, as well as for ongoing administration and corporate costs;
- (e) the Shares were not issued under an agreement; and
- (f) a voting exclusion statement is included in Resolution 1 of the Notice.

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

None of the Directors have a material personal interest in the subject matter of Resolution 1. The Board believes that the ratification of the Issue, the subject of Resolution 1, is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 1 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital under Listing Rule 7.1 during the next 12-months without shareholder approval.

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### **3. RESOLUTION 2 - APPROVAL TO ISSUE SHARES TO DGO GOLD LIMITED**

#### **3.1 General**

Resolution 2 seeks Shareholder approval for the issue of 18,232,142 Shares (**DGO Shares**) to DGO Gold Limited (**DGO**) (or its nominee) as part of the Placement.

DGO currently has a relevant interest in 14.98% of the voting shares in the Company.

Two of the Company's Directors, Mr Eduard Eshuys and Mr Bruce Parncutt, are also Directors of DGO.

DGO provided their commitment to invest \$5.1 million in the Placement at the same time as all other participants, as announced to the ASX on 28 April 2020.

DGO have been ongoing supporters of the Company, participating in every capital raising by the Company since their initial investment of \$5 million on 10 July 2018. DGO are not a related party for the purposes of Chapter 2E of the Corporations Act.

#### **3.2 Listing Rule 10.11.3**

Listing Rule 10.11.3 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so unless it obtains the approval of its shareholders.

The issue of the DGO Shares falls within Listing Rule 10.11.3 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

#### **3.3 Technical Information required by Listing Rule 14.1A**

If Resolution 2 is passed, the Company will be able to issue the DGO Shares during the period of 1 month after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

If Resolution 2 is not passed, the Company will not be able to proceed with the issue of the DGO Shares and will not receive the subscription amount of approximately \$5.1 million.

#### **3.4 Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 2:

- (a) the Shares will be issued to DGO (or its nominee), who fall within the category set out in Listing Rule 10.11.3 as noted above;
- (b) the number of Shares to be issued is 18,232,142;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (d) the issue price will be \$0.28 per Share. The Company will not receive any other consideration for the issue of the Shares;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as Shares currently on issue;
- (f) the funds raised will be used for the same purpose as all other funds raised under the Placement being to fund exploration activities across the Company's Mallina Gold Project, with a priority of work associated with determining the scale of the Hemi deposit, regional exploration drilling within the Scooby to Antwerp Trend, which includes the Hemi deposit, as well as for ongoing administration and corporate costs;
- (g) the Shares are not being issued under an agreement; and
- (h) a voting exclusion statement is included in Resolution 2 of the Notice.

Approval pursuant to Listing Rule 7.1 is not required for the grant of the DGO Shares as approval is being obtained under Listing Rule 10.11. Accordingly, the grant of DGO Shares to DGO (or its nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

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## **4. RESOLUTION 3 – ISSUE OF SHARES TO RELATED PARTY – PETER HOOD AO**

### **4.1 General**

Director Peter Hood wishes to participate in the Placement on the same terms as unrelated participants in the Placement (**Participation**).

Mr. Hood provided his commitment to the Placement at the same time as all other participants, as announced to the ASX on 28 April 2020.

Accordingly, Resolution 3 seeks Shareholder approval for the issue of 1,000,000 Shares to Peter Hood (or his nominee), as a result of the Participation on the terms set out below.

### **4.2 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Shares which constitutes giving a financial benefit and Peter Hood is a related party of the Company by virtue of being a Director.

The Directors (other than Peter Hood who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Peter Hood (or his nominee) on the same terms as Shares issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

#### **4.3 Listing Rule 10.11.1**

Listing Rule 10.11.1 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to a related party unless it obtains the approval of its shareholders.

The issue of the Participation falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

#### **4.4 Technical information required by Listing Rule 14.1A**

If Resolution 3 is passed, the Company will be able to proceed with the issue of the Shares under the Participation within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and will raise additional funds which will be used in the manner set out in Section 4.5(f) below. As approval pursuant to Listing Rule 7.1 is not required for the issue of the Shares in respect of the Participation (because approval is being obtained under Listing Rule 10.11), the issue of the Shares will not use up any of the Company's 15% annual placement capacity.

If Resolution 3 is not passed, the Company will not be able to proceed with the issue of the Shares under the Participation and no further funds will be raised in respect of the Placement.

#### **4.5 Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 3:

- (a) the Shares will be issued to Peter Hood (or his nominee), who falls within the category set out in Listing Rule 10.11.1, as Peter Hood is a related party of the Company by virtue of being a Director;
- (b) the maximum number of Shares to be issued to Peter Hood (or his nominee) is 1,000,000;
- (c) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Shares will be issued on the same date;



- (e) the issue price will be \$0.28 per Share, being the same issue price as Shares issued to other participants in the Placement. The Company will not receive any other consideration for the issue of the Shares;
- (f) the funds raised will be used for the same purpose as all other funds raised under the Placement being to fund exploration activities across the Company's Mallina Gold Project, with a priority of work associated with determining the scale of the Hemi deposit, regional exploration drilling within the Scooby to Antwerp Trend, which includes the Hemi deposit, as well as for ongoing administration and corporate costs;
- (g) the Shares to be issued under the Participation are not intended to remunerate or incentivise the Director;
- (h) the Shares are not being issued under an agreement; and
- (i) a voting exclusion statements is included in Resolution 3 of the Notice.

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## **5. RESOLUTION 4 – REPLACEMENT OF CONSTITUTION**

### **5.1 General**

A company may modify or repeal its constitution or a provision of its constitution by special resolution of shareholders.

Resolution 4 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and Listing Rules.

This will incorporate amendments to the Corporations Act and Listing Rules since the current Constitution was adopted in November 2014.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature, such as expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website [www.degreymining.com.au](http://www.degreymining.com.au) and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary by sending an email to [admin@degreymining.com.au](mailto:admin@degreymining.com.au). Shareholders are invited to contact the Company if they have any queries or concerns.

### **5.2 Summary of material proposed changes**

#### **Restricted Securities (clause 2.12)**

The Proposed Constitution complies with the recent changes to Listing Rule 15.12 which took effect from 1 December 2019. As a result of these changes, ASX will require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will permit the Company to issue restriction notices to holders of restricted securities in the form of the new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

### **Partial (proportional) takeover provisions (new clause 36)**

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

### Information required by section 648G of the Corporations Act

#### *Effect of proposed proportional takeover provisions*

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

#### *Reasons for proportional takeover provisions*

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

#### *Knowledge of any acquisition proposals*

As at the date of this Notice of Meeting, other than as proposed for Resolution 2, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

#### *Potential advantages and disadvantages of proportional takeover provisions*

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

#### *Recommendation of the Board*

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 4.

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## **6. RESOLUTION 5 – INCREASE IN TOTAL AGGREGATE REMUNERATION FOR NON-EXECUTIVE DIRECTORS**

### **6.1 General**

Directors' fees include all fees payable by the entity or any of its child entities to a non-executive director for acting as a director of the entity or any of its child entities (including attending and participating in any board committee meetings), superannuation contributions for the benefit of a non-executive director and any fees which a non-executive director agrees to sacrifice for other benefits. It does not include reimbursement of genuine out of pocket expenses, genuine "special exertion" fees paid in accordance with an entity's constitution, or securities issued to a non-executive director under Listing Rules 10.11 or 10.14 with the approval of the holders of its ordinary securities.

Listing Rule 10.17 provides that an entity must not increase the total aggregate amount of directors' fees payable to all of its non-executive directors without the approval of holders of its ordinary securities.

Clauses 14.7 and 14.8 of the Constitution also provide that total aggregate remuneration payable to the non-executive Directors will not exceed the sum initially set by the Constitution and subsequently increased by ordinary resolution of Shareholders in a general meeting.

The maximum aggregate amount of fees payable to the non-executive Directors is currently set at \$250,000.

Resolution 5 seeks Shareholder approval for the purposes of clause 14.8 of the Constitution and Listing Rule 10.17 to increase the total aggregate amount of fees payable to non-executive Directors to \$700,000.

The maximum aggregate amount of fees proposed to be paid to non-executive Directors per annum has been determined after reviewing similar companies of a similar market capitalisation listed on ASX, together with the level of Company activity. The Directors believe that this level of remuneration is in line with corporate remuneration of similar companies. It also reflects recent changes to the Board composition where there has been an increase from two (2) to four (4) Non-Executive directors commensurate with a significant change in the level of Company activity.

## 6.2 Technical information required by Listing Rule 10.17

If Resolution 5 is passed, the maximum aggregate amount of fees payable to the non-executive Directors will increase by \$250,000 to \$700,000. Whilst it is not envisaged that the maximum amount sought will be utilised immediately, the increase to maximum aggregate amount of fees payable may enable the Company to:

- (a) fairly remunerate both existing and any new non-executive directors joining the Board;
- (b) remunerate its non-executive Directors appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates; and
- (c) have the ability to attract and retain non-executive directors whose skills and qualifications are appropriate for a company of the size and nature of the Company.

If Resolution 5 is not passed, the maximum aggregate amount of fees payable to non-executive Directors will remain at \$250,000. This may inhibit the ability of the Company to remunerate, attract and retain appropriately skilled non-executive directors.

In the past 3 years, the Company has issued an aggregate of 500,000 Options and 1,250,000 Performance Rights to non-executive Directors pursuant to Listing Rules 10.11 and 10.14 as follows:

Date	Class	Details and Recipients
Issue – 21 December 2017 Appendix 3B – 22 December 2017	Performance Rights	Performance rights granted as compensation: (a) 750,000 Steven Morris (b) 500,000 Brett Lambert
Issue – 17 October 2018 Appendix 3B – 17 October 2018	Options	Options granted as compensation (exercise price of 30c each option and expiry of 30 May 2021): (a) 250,000 Steven Morris (b) 250,000 Brett Lambert
Issue – 24 November 2017 Appendix 3B – 27 November	Shares	Shares granted under participation in placement:

Date	Class	Details and Recipients
2017	Options	(a) 500,000 Steven Morris (b) 1,000,000 Davide Bosio  Options granted under participation in placement (free-attaching, exercise price of 10c each option and expiry of 30 November 2018): (a) 250,000 Steven Morris (b) 500,000 Davide Bosio

A voting exclusion statement is included in Resolution 5 of this Notice.

### 6.3 Board Recommendation

Given the interest of the non-executive Directors in this Resolution, the Board makes no recommendation to Shareholders regarding this Resolution.

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## 7. RESOLUTION 6 – ISSUE OF PERFORMANCE RIGHTS TO RELATED PARTY – GLENN JARDINE

### 7.1 General

Mr Jardine commenced work on 4 May 2020 and was appointed as the Managing Director of the Company on 11 May 2020.

Under the terms of his employment agreement with the Company (**Employment Agreement**), as announced to the ASX on 20 March 2020, and subject to the receipt of Shareholder approval, the Company has agreed to issue Performance Rights to Glenn Jardine (or his nominee) pursuant to the Company's Performance Rights Plan and on the terms and conditions set out below.

Mr Jardine is entitled to receive such number of Performance Rights on an annual basis, as determined by the following formula:

$$A = B / C$$

Where:

**A** = The number of Performance Rights Mr Jardine is entitled to receive (on an annual basis).

**B** = \$100,000.

**C** = The VWAP over the last 10 trading days prior to the date of issue of the Performance Rights.

The Employment Agreement provides that the first tranche of Performance Rights is to be issued to Mr Jardine, on completion of his three month probation period ending 4 August 2020 and/or no later than 21 September 2020, subject to the receipt of Shareholder approval (**Tranche 1**).

The second tranche of Performance Rights will be issued on or about 15 September 2021 (**Tranche 2**) and the third tranche of Performance Rights on or about 15 September 2022 (**Tranche 3**). Following the issue of Tranche 3, the Company would be required to seek fresh Shareholder approval in order to issue further Performance Rights to Mr Jardine under the Employment Agreement.

The Performance Rights issued to Mr Jardine shall vest upon satisfaction of the following milestones:

- (a) the Company's Shares reaching a price equal to or greater than 120% of the VWAP for the 10 trading days prior to the date of issue of the Performance Rights, within the following period:
  - (i) Tranche 1 – from the date of issue to 15 September 2020;
  - (ii) Tranche 2 – from the date of issue to 15 September 2021; and
  - (iii) Tranche 3 – from the date of issue to 15 September 2022.
- (b) Mr Jardine remaining employed by the Company as Managing Director as at the date of satisfaction of the milestone in paragraph 7.1 (a).

The Performance Rights will otherwise be issued on the terms and conditions set out in Part A of Schedule 1.

The grant of the Performance Rights was agreed as part of Mr Jardine's remuneration package under the terms and conditions of the Employment Agreement. The material terms and conditions of Mr Jardine's employment agreement were included in the Company's announcement on 20 March 2020.

The Board has to balance the interests of Shareholders, while ensuring that the team working to achieve the outcomes sought are incentivised and rewarded for achieving the most significant value milestones for the Company. In this regard in so far as it relates to Mr Jardine, the Board has determined that these Performance Rights are linked to criteria relating to the performance of the Company and hurdles which the Board believes will deliver the most value to Shareholders at this juncture in the Company's growth. It also ensures that Mr Jardine has the opportunity to accumulate equity in the business which not only

ensures a better alignment with our Shareholders, but has a retentive benefit as well.

The Board considers the granting of the Performance Rights to be a cost-effective reward for the Company to make to appropriately incentivise the continued performance of Mr Jardine and is consistent with the strategic goals and targets of the Company.

The Performance Rights will be issued under the Company's existing employee incentive scheme titled "Incentive Performance Rights Plan" (**Performance Rights Plan**) but will not be issued in reliance of ASIC Class Order 14/1000 Employee incentive schemes: Listed bodies. No disclosure document is required to be issued to the recipients of the Performance Rights as the offer is exempt under section 708(12) of the Corporations Act.

## **7.2 Chapter 2E of the Corporations Act and Listing Rule 10.14**

A summary of Chapter 2E of the Corporations Act is set out in Section 4.2 above.

The grant of the Performance Rights constitutes giving a financial benefit and Mr Jardine is a related party of the Company by virtue of being a Director.

In addition, Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

It is the view of the Directors (other than Mr Jardine due to his material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because the grant of the Performance Rights, reached as part of the remuneration package for Mr Jardine, is considered to be reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

## **7.3 Technical information required by Listing Rule 14.1A**

If Resolution 6 is passed, the Company will be able to proceed with the issue of the Performance Rights to Mr Jardine within three years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Performance Rights (because approval is being obtained under Listing Rule 10.14), the issue of the Performance Rights will not use up any of the Company's 15% annual placement capacity.

If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the Performance Rights to Mr Jardine. In such circumstances, the Company would also be in breach of its obligations under the Employment Agreement.

## **7.4 Technical Information required by ASX Listing Rule 10.15**

Pursuant to and in accordance with Listing Rule 10.15, the following information is provided in relation to Resolution 6:

- (a) the total number of Performance Rights to be issued to Mr Glenn Jardine (or his nominee/s) will be determined in accordance with the formula set out in Section 7.1 above. As Mr Jardine is a Director, the Company is

required to seek Shareholder approval for the issue of the Performance Rights pursuant to Listing Rule 10.14.1;

- (b) the Performance Rights will be issued on the terms and conditions set out in Part A of Schedule 1. Any Shares issued on conversion of the Performance Rights will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) Mr Jardine's current total remuneration package is \$512,500, comprising his Directors' salary of \$362,500 (inclusive of superannuation), a short term incentive cash bonus of up to \$50,000 (on achievement of key performance indicators which are still to be agreed by the Board) and, subject to the passing of this Resolution, the issue of Performance Rights (on the terms and conditions set out in Part A of Schedule 1) to the value of \$100,000 (on an annual basis);
- (d) no securities have been previously issued to Mr Jardine under the Performance Rights Plan;
- (e) the grant of the Performance Rights was agreed as part of Mr Jardine's remuneration package under the terms and conditions of his Employment Agreement;
- (f) the Board has to balance the interests of Shareholders, while ensuring that the team working to achieve the outcomes sought are incentivised and rewarded for achieving the most significant value milestones for the Company. In this regard in so far as it relates to Mr Jardine, the Board has determined that these Performance Rights are linked to criteria relating to the performance of the Company and hurdles which the Board believes will deliver the most value to Shareholders at this juncture in the Company's growth. It also ensures that Mr Jardine has the opportunity to accumulate equity in the business which not only ensures a better alignment with our Shareholders, but has a retentive benefit as well;
- (g) a valuation of the Performance Rights is included in Schedule 2;
- (h) the Performance Rights will be issued on an annual basis, as detailed in Section 7.1 above. The latest date that a Performance Right may be issued is 3 years after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (i) the Performance Rights are being issued for nil issue price;
- (j) a summary of the material terms of the Performance Rights Plan is set out in Part B of Schedule 1;
- (k) no loan is being made to Mr Jardine in connection with the issue;
- (l) details of any securities issued under the Performance Rights Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14;
- (m) any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Performance Rights under the Performance Rights Plan after Resolution 6 is approved and who were



not named in this Notice will not participate until approval is obtained under Listing Rule 10.14; and

- (n) and a voting exclusion statement is included in Resolution 6 of the Notice.

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## **8. RESOLUTIONS 7 – 11 – APPROVAL OF ISSUE OF ZERO EXERCISE PRICE OPTIONS TO DIRECTORS**

### **8.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue up to an aggregate of \$414,000 worth of zero exercise price Options (**Zero Exercise Price Options**) to be calculated based on a 10 day VWAP immediately prior to the Shareholder Meeting to be held to approve the issue to the following Directors of the Company (together, the **Related Parties**):

- (a) pursuant to Resolution 7, \$150,000 worth of Zero Exercise Price Options to Andrew Beckwith (or his nominee) to be calculated based on a 10 day VWAP immediately prior to the Shareholder Meeting to be held to approve the issue;
- (b) pursuant to Resolution 8, \$120,000 of Zero Exercise Price Options to Simon Lill (or his nominee) to be calculated based on a 10 day VWAP immediately prior to the Shareholder Meeting to be held to approve the issue;
- (c) pursuant to Resolution 9, \$48,000 of Zero Exercise Price Options to Eduard Eshuys (or his nominee) to be calculated based on a 10 day VWAP immediately prior to the Shareholder Meeting to be held to approve the issue;
- (d) pursuant to Resolution 10, \$48,000 of Zero Exercise Price Options to Bruce Parncutt (or his nominee) to be calculated based on a 10 day VWAP immediately prior to the Shareholder Meeting to be held to approve the issue; and
- (e) pursuant to Resolution 11, \$48,000 of Zero Exercise Price Options to Peter Hood (or his nominee) to be calculated based on a 10 day VWAP immediately prior to the Shareholder Meeting to be held to approve the issue,

and otherwise on the terms and conditions set out in Part A of Schedule 3.

The Zero Price Exercise Options will be issued under the Company's existing employee incentive scheme titled "Employee Option Plan" (**Option Plan**) but will not be issued in reliance of ASIC Class Order 14/1000 Employee incentive schemes: Listed bodies. No disclosure document is required to be issued to the recipients of the Zero Price Exercise Options as the offer is exempt under section 708(12) of the Corporations Act.

Resolutions 7 to 11 seeks Shareholder approval for the issue of the Zero Exercise Price Options.

### **8.2 Rationale behind the issue**

There is consensus amongst the Board that additional work performed by the Company's Non-Executive Directors has been substantial and beyond the normal duties expected for a typical Non-Executive Director. Boards set annual

fees within the Shareholder approved cap on the basis it is business as usual. However, it is recognised there may from time to time be considerable additional demands on directors. Where considerable and additional time and effort is required by the directors of a company in response to particular corporate events, and this commitment can be reasonably considered to be extraordinary i.e. going beyond what is usual, regular or customary, then in such an event, it would appropriate that the directors be entitled to additional remuneration. In so far as it relates to the Company, the additional time (and significant additional meetings) relate to:

- (a) a series of capital raisings during the course of the year, the details of which are summarised below:

Placement and Rights Issue @ \$0.05 per share, including issue of shares to finalise the acquisition of Indee Gold Pty Ltd acquisition	\$25.00M	July/August 2019
Placement @ \$0.045 per share	\$5.00M	November 2019
Exercise of DGO options	\$4.75M	March 2020
Placement @ \$0.28 per share	\$31.2M	April 2020
Total raised during FY 19/20	\$69.95M	

- (b) to date, 11 formal and minuted Board meetings during the course of 2019/2020, attended by all Board members. In addition to these meetings, the full Board has been involved in numerous informal strategic discussions during this period;
- (c) the comprehensive selection process for the appointment of new Managing Director, Glenn Jardine, in which all Non-Executive Directors and the Chairman were involved;
- (d) increased Board engagement and consideration regarding the Company's strategic direction and priorities following the Company's recent Hemi discovery; and
- (e) the onset of the COVID-19 pandemic and its impact on the Company's operations. During this period, additional Board engagement has been imperative to enable operations to continue whilst seeking to mitigate risks associated with safety and security of our employees and contractors.

Further, with respect to the proposed issue of Zero Exercise Price Options to Messrs Lill and Beckwith, the Company notes that the Board approved the issue of 5,500,000 options exercisable at \$0.35 by 12 March 2022 to various staff members as a "discovery bonus" to recognise the significance of the Hemi discovery to the Company. Neither Mr Lill nor Mr Beckwith were able to participate in this issue without prior shareholder approval. In addition, Messrs Lill and Beckwith were not awarded a pay rise during the year whilst the Board, in benchmarking their salaries, recognised they were underpaid relative to similarly sized companies in the marketplace.

The proposed issue of the Zero Exercise Price Options to Messrs Lill and Beckwith are in part to reward them for the Hemi discovery, together with their exertion during the year.

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

A summary of Chapter 2E of the Corporations Act is set out in Section 4.2 above.

The issue of Zero Exercise Price Options to the Related Parties constitutes giving a financial benefit and each of the Related Parties is a related party of the Company by virtue of being a Director.

As the Zero Exercise Price Options are proposed to be issued to all of the Directors other than Glenn Jardine, the Directors are unable to form a quorum to consider whether one of the exceptions set out in sections 210 to 216 of the Corporations Act applies to the issue of the Zero Exercise Price Options. Accordingly, Shareholder approval for the issue of Zero Exercise Price Options to the Related Parties is sought in accordance with Chapter 2E of the Corporations Act.

### **8.4 Listing Rule 10.14**

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

As the issue of the Zero Exercise Price Options is being made under the Option Plan, it therefore requires the approval of Shareholders under Listing Rule 10.14.

### **8.5 Technical information required by Listing Rule 14.1A**

If Resolutions 7 to 11 are passed, the Company will be able to proceed with the issue of the Zero Exercise Price Options to the Related Parties within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Zero Exercise Price Options (because approval is being obtained under Listing Rule 10.14), the issue of the Zero Exercise Price Options will not use up any of the Company's 15% annual placement capacity.

If Resolutions 7 to 11 are not passed, the Company will not be able to proceed with the issue of the Zero Exercise Price Options.

### **8.6 Technical Information required by Listing Rule 10.15 and section 219 of the Corporations Act**

Pursuant to and in accordance with Listing Rule 10.15 and section 219 of the Corporations Act, the following information is provided in relation to Resolutions 7 to 11:

- (a) the Zero Exercise Price Options will be issued to the Related Parties, as detailed in Section 8.1 above. Each of the Related Parties falls within the category set out in Listing Rule 10.14.1 by virtue of being a Director;
- (b) the maximum number of Zero Exercise Price Options to be issued to the Related Parties (being the nature of the financial benefit proposed to be given) is detailed in Section 8.1 above;
- (c) the terms and conditions of the Zero Exercise Price Options are set out in Part A of Schedule 3;

- (d) the terms and conditions of the Options Plan are set out in Part B of Schedule 3;
- (e) each of Simon Lill and Andy Beckwith were previously issued 1,000,000 Options under the Options Plan. Otherwise, no securities have been previously issued to the Related Parties under the Option Plan;
- (f) the Zero Exercise Price Options will be issued as soon as practicable following the Meeting and no later than 3 years after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules). It is intended that issue of the Zero Exercise Price Options will occur on the same date;
- (g) the issue price of the Zero Exercise Price Options will be nil. The Company will not receive any other consideration in respect of the issue of the Zero Exercise Price Options;
- (h) the purpose of the issue of the Zero Exercise Price Options is to reward both Non-Executive and Executive Directors for their additional exertion during the year together with the alignment of the Executive Directors with staff rewards arising from the Hemi discovery, as detailed in Section 8.2 above;
- (i) the Company has agreed to issue the Zero Exercise Price Options to the Related Parties, as opposed to other types of securities, for the following reasons:
  - (i) the issue of the Zero Exercise Price Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
  - (ii) the issue of the Zero Exercise Price Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties;
  - (iii) the issue of the Zero Exercise Price Options has no immediate dilutionary impact on Shareholders; and
  - (iv) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Zero Exercise Price Options on the terms proposed.
- (j) the number of Zero Exercise Price Options to be issued to each of the Related Parties has been determined based upon a consideration of:
  - (i) current market standards and/or practices of other ASX listed companies of a similar market capitalisation;
  - (ii) the existing remuneration of the Related Parties relative to their exertion during the year; and
  - (iii) recognition of the significant shareholder wealth created as a result of the Hemi discovery and other efforts during the year,
- (k) the Company appointed BDO Reward WA Pty Limited as an Independent Remuneration and Reward Expert to assist with the market

benchmarking of reward packages. Cognisance of the size of the business, the size of the management team for the business, the nature and stage of development of the businesses' current operations, market conditions and comparable salary levels for companies of a similar size and operating in similar sectors;

- (l) BDO Reward WA Pty Limited has also been engaged to assist the Company to attract and retain a suitable quality of Board and management personnel into the future, through the establishment of market acceptable remuneration packages and incentives;
- (m) the total remuneration package for each of the Related Parties for the previous financial year and the proposed total remuneration package for the current financial year are set out below (which, for the avoidance of doubt, does not include the value of the Zero Exercise Price Options the subject of Resolutions 7 to 11):

Related Party	Current 2019-2020 Financial Year	Previous 2018-2019 Financial Year
Simon Lill <sup>1</sup>	\$202,091	\$342,227
Andrew Beckwith <sup>2</sup>	\$309,402	\$477,624
Eduard Eshuys <sup>3</sup> (appointed 23 July 2019)	\$55,000	N/A
Peter Hood <sup>4</sup>	\$48,000	\$30,000
Bruce Parncutt <sup>5</sup> (appointed 23 July 2019)	\$45,000	N/A

**Notes:**

1. Current Financial Year comprises of Directors' fees of \$156,000 (2019: \$156,000), Cash bonus of \$10,000 (2019: \$25,000) and share-based payments of \$36,091 (2019: \$161,227). It does not include the \$120,000 of proposed Zero Exercise Price Options, the subject of Resolution 8.
2. Current Financial Year comprises of Directors' salary (inclusive of superannuation) of \$250,015 (2019: \$245,207), Cash bonus of \$10,000 (2019: \$25,000) and share-based payments of \$49,387 (2019: \$207,417). It does not include the \$150,000 of proposed Zero Exercise Price Options, the subject of Resolution 7.
3. Current Financial Year comprises of Directors' salary (inclusive of superannuation) of \$45,000 (2019: N/A) and other consulting fees of \$10,000 (2019: N/A). It does not include the \$48,000 of proposed Zero Exercise Price Options, the subject of Resolution 9.
4. Current Financial Year comprises of Directors' salary (inclusive of superannuation) of \$48,000 (2019: \$30,000). It does not include the \$48,000 of proposed Zero Exercise Price Options, the subject of Resolution 11.
5. Current Financial Year comprises of Directors' salary (inclusive of superannuation) of \$45,000 (2019: N/A). It does not include the \$48,000 of proposed Zero Exercise Price Options, the subject of Resolution 10.

- (n) the value of the Zero Exercise Price Options and the pricing methodology is set out in Schedule 4;

- (o) the Zero Exercise Price Options are not being issued under an agreement;
- (p) the relevant interests of the Related Parties in securities of the Company as at the date of this Notice are set out below:

Related Party	Shares <sup>1</sup>	Options	Performance Rights
Andrew Beckwith	7,631,668 <sup>2</sup>	2,000,000 <sup>3</sup>	400,000
Simon Lill	13,239,063 <sup>4</sup>	1,000,000 <sup>5</sup>	500,000
Eduard Eshuys	Nil	Nil	Nil
Bruce Parncutt	Nil	Nil	Nil
Peter Hood	3,000,000 <sup>6</sup>	Nil	Nil

**Notes:**

1. Fully paid ordinary shares in the capital of the Company (**Shares**) (ASX: HCT).
  2. Comprising 2,121,153 Shares held directly, 4,702,181 Shares held by Penand Pty Ltd <Beckwith Super Fund A/C> and 808,334 Shares held by Penelope Jane Beckwith.
  3. Comprising 1,000,000 Unquoted Options exercisable at \$0.10 each on or before 31 October 2020 and 1,000,000 Unquoted Options exercisable at \$0.30 each on or before 30 May 2021.
  4. Comprising 12,439,063 Shares held indirectly by Citicorp Nominees Pty Limited <Simon Richard Lill Account> and 800,000 Shares held directly.
  5. Comprising 1,000,000 Unquoted Options exercisable at \$0.30 each on or before 30 May 2021.
  6. Comprising 1,250,000 Shares held by Mossgrove Nominees Pty Ltd, 1,250,000 Shares held by Mossgrove Nominees Pty Ltd ATF the PJ Hood AO Family Trust and 500,000 held by Mr Peter Hood AO & Mrs Anne-Marie Hood AO <PJ Hood AO Super Plan A/C>.
- (q) if the Zero Exercise Price Options issued to the Related Parties are exercised, and based on the 10 day VWAP as of 26 May 2020, then a total of 951,725 Shares would be issued. This will increase the number of Shares on issue from 1,169,922,539 (being the total number of Shares on issue as at the date of this Notice) to 1,170,874,264 (assuming that no additional Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.081%, comprising 0.029% by Andrew Beckwith, 0.024% by Simon Lill, 0.009% by Eduard Eshuys, 0.009% by Bruce Parncutt AO and 0.009% by Peter Hood AO;
- (r) Ordinarily, the market price for Shares during the term of Options would determine whether or not such Options are exercised. However, Shareholders should note that there is no exercise price payable in respect of the Zero Exercise Price Options. Rather, the Zero Exercise Price Options will vest and become exercisable into Shares for nil consideration in the event the relevant vesting condition is satisfied, or a change of control transaction occurs (as set out in paragraph 8.6(h) of Schedule 4). As such, any time any of the Zero Exercise Price Options are exercised and the Shares are trading on ASX, there will be a perceived cost to the Company;

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

	Price	Date
Highest	\$0.44	22 May 2020
Lowest	\$0.039	12 December 2019
Last	\$0.435	22 May 2020

- (t) the Board acknowledges that the issue of the Zero Exercise Price Options to the Related Parties is contrary to Recommendation 8.3 of the 4<sup>th</sup> edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. However, the Board considers the issue of Zero Exercise Price Options to the Related Parties to be reasonable in the circumstances for the reasons set out in Sections 8.6 (h), (i) and (j) above;
- (u) Glenn Jardine recommends that Shareholders vote in favour of Resolutions 7 to 11 for the reasons set out in Sections 8.6 (h), (i) and (j) above. In forming his recommendation, Glenn Jardine considered the effort of the Related Parties during the 12 month period which has resulted in a substantial increase in share market value and shareholder wealth, together with the current market price of Shares and the current market standards and practices when determining the number of Zero Exercise Price Options to be issued to each of the Related Parties;
- (v) each Director (other than Glenn Jardine) has a material personal interest in the outcome of Resolutions 7 to 11 on the basis that the Directors (other than Glenn Jardine) (or their nominees) are to be issued Zero Exercise Price Options on the same terms and conditions should Resolutions 7 to 11 be passed. For this reason, the Directors (other than Glenn Jardine) do not believe that it is appropriate to make a recommendation on Resolutions 7 to 11 of this Notice;
- (w) the Board is not aware of any other information that is reasonably required by Shareholders to allow them to decide whether it is in the best interests of the Company to pass Resolutions 7 to 11;
- (x) no loan is being made to the Related Parties in connection with the issue;
- (y) details of any securities issued under the Option Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14;
- (z) any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Options under the Options Plan after Resolutions 7 to 11 are approved and who were not named in this Notice will not participate until approval is obtained under Listing Rule 10.14; and
- (aa) a voting exclusion statement is included in Resolutions 7 to 11 of the Notice.

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## SCHEDULE 1

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### **PART A: TERMS AND CONDITIONS OF PERFORMANCE RIGHTS – GLEN JARDINE**

The following is a summary of the key terms and conditions of the Performance Rights:

(a) **Vesting**

The Performance Rights shall vest upon satisfaction of the following milestones:

- (i) the Company's Shares reaching a price equal to or greater than 120% of the volume weighted average price of the Company's Shares for the 10 trading days prior to the date of issue of the Performance Rights, within the following period (**Vesting Date**):
  - (A) Tranche 1 – from the date of issue to 15 September 2020;
  - (B) Tranche 2 – from the date of issue to 15 September 2021; and
  - (C) Tranche 3 – from the date of issue to 15 September 2022.
- (ii) Mr Jardine remaining employed by the Company as Managing Director as at the date of satisfaction of the milestone in paragraph (i) above.

(each referred to as a **Vesting Condition**).

(b) **Automatic Vesting on a Change of Control**

Where there is a Change of Control, all Vesting Conditions are deemed to be automatically waived and advised by written notice to the holder.

For the purposes of this paragraph (b), a "**Change of Control**" means:

- (i) a bona fide Takeover Bid (as defined in the Corporations Act) is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued Shares;
- (ii) a court approves, under Section 411(4)(b) of the Corporations Act, a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
- (iii) in any other case, a person obtains voting power in the Company which the Board (which for the avoidance of doubt will comprise those Directors immediately prior to the person acquiring that voting power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.

(c) **Notification of holder**

The Company shall notify the holder in writing within ten (10) business days when a Vesting Conditions has been satisfied.

(d) **Conversion**

Once vested, each Performance Right will, at the election of the holder, convert into one Share.



(e) **Lapse of a Performance Right**

A Performance Right that has not vested on or before the Vesting Date will automatically lapse. Further, if a vested Performance Right has not been converted into a Share prior to the date that is five years from the date of issue of the Performance Right, the Performance Right will automatically lapse.

(f) **Consideration**

The Performance Rights will be issued for nil consideration and no consideration will be payable upon the conversion of the Party Performance Rights into Shares.

(g) **Share ranking**

All Shares issued upon conversion of the Performance Rights will upon issue rank pari passu in all respects with other Shares.

(h) **Listing of Shares on ASX**

The Performance Rights will not be quoted on ASX. Upon conversion of the Performance Rights into Shares, the Company will apply for quotation of all Shares issued upon conversion of the Performance Rights within the period required by ASX.

(i) **Timing of issue of Shares on exercise**

Within 10 Business Days after the date that the Performance Rights are exercised, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Performance Rights exercised;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(5)(E) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Performance Rights.

(j) **Transfer of Performance Rights**

A Performance Right is not transferable (including encumbering the Performance Rights).

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Performance Rights.

(l) **Adjustment for reconstruction**

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.

(m) **Dividend and Voting Rights**

A Performance Right does not confer upon the holder an entitlement to notice of, or to vote or attend at, a meeting of the Shareholders of the Company or receive dividends declared by the Company.

## **PART B: SUMMARY OF PERFORMANCE RIGHTS PLAN TERMS**

### **(a) Eligibility**

Participants in the Performance Rights Plan may be:

- (i) a Director (whether executive or non-executive) of the Company or any associate Group Company;
- (ii) a full or part time employee of any Group Company;
- (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (Class Order); or
- (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,

who is declared by the Board to be eligible to receive grants of Performance Rights under the Performance Rights Plan (**Eligible Participants**).

### **(b) Offers**

The Board may, from time to time, at its absolute discretion, make an offer to grant Performance Rights to an Eligible Participant under the Performance Rights Plan and on such additional terms and conditions as the Board determines (**Offer**).

### **(c) Plan limit**

Where the Company has relied or intends relying on the Class Order to make an Offer, the Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on conversion of Performance Rights offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the Offer.

### **(d) Consideration**

Performance Rights granted under the Performance Rights Plan will be issued for nil cash consideration.

### **(e) Performance Rights**

Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one fully paid ordinary share in the capital of the Company (**Share**).

### **(f) Not transferrable**

Performance Rights are only transferrable with the prior written consent of the Board of the Company or by force of law upon death to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.

### **(g) Vesting Conditions**

The Board will determine the vesting conditions (if any) that must be satisfied before a Performance Right vests, and the date by which a vesting condition must be satisfied (**Vesting Condition**).

(h) **Vesting**

A Performance Right will vest where Vesting Conditions are satisfied or where, despite Vesting Conditions not being satisfied, the Board (in its absolute discretion) resolves that unvested Performance Rights have vested as a result of:

- (i) the participant ceasing to be an Eligible Participant due to certain special circumstances (e.g. due to death, severe financial hardship, total and permanent disability, retirement or redundancy) as set out in the Performance Rights Plan; or
- (ii) the Company undergoing a change of control; or
- (iii) the Company being wound up.

(i) **Shares**

Shares resulting from the vesting of the Performance Rights shall, from the date of issue, rank on equal terms with all other Shares on issue.

(j) **Sale Restrictions**

The Board may, in its discretion, determine at any time up until exercise of Performance Rights, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Performance Rights (**Restriction Period**).

(k) **Quotation of Shares**

If Shares of the same class as those issued under the Performance Rights Plan are quoted on the ASX, the Company will, subject to the Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.

(l) **Lapse of a Performance Right**

Subject to the terms of an Offer otherwise providing, a Performance Right will lapse upon the earlier to occur of:

- (i) an unauthorised dealing in, or hedging of, the Performance Right;
- (ii) a Vesting Condition in relation to the Performance Right not being satisfied by the due date, or becoming incapable of satisfaction, as determined by the Board in its absolute discretion;
- (iii) in respect of an unvested Performance Right, a participant (or, where the participant is a nominee of the Eligible Participant, that Eligible Participant) (**Relevant Person**) ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right under a good leaver exception;
- (iv) in respect of a vested Performance Right, a Relevant Person ceases to be an Eligible Participant and the Performance Right granted in respect of that Relevant Person is not exercised within one (1) month (or such

later date as the Board determines) of the date the Relevant Person ceases to be an Eligible Participant;

- (v) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
- (vi) the Company undergoes a change in control or winding up, and the Performance Right has not otherwise vested in accordance with paragraph (h); and
- (vii) the expiry date of the Performance Right.

(m) **No Participation Rights**

There are no participating rights or entitlements inherent in the Performance Rights and participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights without exercising the Performance Right.

(n) **No Change**

A Performance Right does not confer the right to a change in the number of underlying Shares over which the Performance Right can be exercised.

(o) **Reorganisation**

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.

(p) **Inconsistency with Offer**

Notwithstanding any other provision in the Performance Rights Plan, to the extent that any covenant or provision contained in an Offer document is inconsistent with any covenant or provision under the Plan, the deemed covenant or provision under the Offer document shall prevail.

## SCHEDULE 2 – VALUATION OF PERFORMANCE RIGHTS- MR. GLENN JARDINE

The Performance Rights to be issued pursuant to Resolution 6 have been valued using the Monte Carlo Simulation method on the basis of the below key assumptions.

For the purposes of our valuation, we have assumed the performance/vesting period commences as at the valuation date of 22 May 2020. In deriving the 10-day VWAP barrier, a Monte Carlo simulation was used to simulate the VWAP from 22 May 2020 to 15 September 2021 for the Tranche 2 Rights, and 22 May 2020 to 15 September 2022 for the Tranche 3 Rights.

Item	Rights		
	Tranche 1	Tranche 2	Tranche 3
Value of the underlying security	\$0.435	\$0.435	\$0.435
Exercise price	Nil	Nil	Nil
Valuation date	22-May-20	22-May-20	22-May-20
10-day VWAP barrier	\$0.468	\$0.514	\$0.523
Commencement of performance/vesting period	22-May-20	22-May-20*	22-May-20**
Performance measurement/vesting date	15-Sep-21	15-Sep-22*	15-Sep-23**
Performance/vesting period (years)	1.32	2.32	3.32
Expiry date	22-May-25	22-May-25	22-May-25
Life of the Instruments (years)	5.00	5.00	5.00
Volatility	110%	110%	110%
Risk-free rate	0.26%	0.25%	0.25%
Dividend yield	Nil	Nil	Nil
Number of Instruments	320,513	300,300	282,486
Valuation per Instrument	\$0.312	\$0.333	\$0.354
Valuation per Tranche	\$100,000	\$100,000	\$100,000

\*We note that the share price barrier is assessed over a period of 1 year from 15 September 2021 to 15 September 2022. However, given that our valuation date is 22 May 2020, the measurement date is 15 September 2022 and the Rights cannot vest until the measurement date, the vesting period of the Rights is 2.32 years. The performance of the Company's share price between grant date and 15 September 2021 impacts the barrier price and therefore the valuation, therefore we consider the measurement period of the Rights to be 2.32 years.

\*\*We note that the share price barrier is assessed over a period of 1 year from 15 September 2022 to 15 September 2023. However, given that our valuation date is 22 May 2020, the measurement date is 15 September 2023 and the Rights cannot vest until the measurement date, the vesting period of the Rights is 3.32 years. The performance of the Company's share price between grant date and 15 September 2022 impacts the barrier price and therefore the valuation, therefore we consider the measurement period of the Rights to be 3.32 years.

The Performance Rights were ascribed the following value:

Related Party			Value of Performance Rights to be issued
Glenn Jardine			<b>\$300,000</b>
Performance Rights	Notional Number	Value per Right	Total Value
Tranche 1	320,513	\$0.312	\$100,000
Tranche 2	300,300	\$0.333	\$100,000
Tranche 3	282,486	\$0.354	\$100,000
<b>TOTAL</b>	<b>620,813</b>		<b>\$300,000</b>

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## SCHEDULE 3

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### **PART A: TERMS AND CONDITIONS OF ZERO EXERCISE PRICE OPTIONS**

(a) **Entitlement**

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

(b) **Exercise Price**

No consideration is payable upon the exercise of each Option.

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AWST) on the two year anniversary of their date of issue (**Expiry Date**).

An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**).

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the date of receipt of the Notice of Exercise (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 10 Business Days after the Exercise Date, the Company will:

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



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

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

The Options are not transferable unless in certain specified circumstances detailed in the Company's Employee Incentive Plan (such as death, permanent disability or financial hardship of the holder) and with the consent of the Board. The Options may also be subject to restrictions or escrow arrangements imposed by ASX or under applicable Australian securities laws.

(m) **Deferred Taxation**

Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth) applies to the Option offer.

## **PART B: SUMMARY OF OPTION PLAN TERMS**

- (a) Eligible employees includes Offices and full or part-time employees of the Company or its subsidiaries (**Eligible Employee**).
- (b) The Board may from time to time, in its absolute discretion, issue invitations in writing to Eligible Employees inviting an Eligible Employee to participate in the Plan and be granted Options in accordance with the Plan.
- (c) The number of Options to be granted to an Eligible Employee will be determined by the Board in its absolute discretion and in exercising that discretion, the Board may have regard to some or all of the following considerations: the position the Eligible Employee holds, the terms of their employment, the contribution the Eligible Employee makes to the Company or its subsidiaries and any other matter which the Directors consider relevant.
- (d) Once an Option has been granted to an Eligible Employee, it is not transferrable except with the prior written consent of the Board.
- (e) No consideration is payable by any Eligible Employee in respect of the grant by the Company of an Option under the Plan.
- (f) The exercise price for the Options granted under the Plan will be determined by the Board.
- (g) The Board may impose conditions, including performance-related conditions, on the right of an Eligible Employee to exercise Options granted under the Plan.
- (h) An Eligible Employee will be entitled to exercise an Option if it has not lapsed or cancelled and the exercise conditions and other requirements on the Option certificate have been met. An Eligible Employee may exercise an Option by delivering an exercise notice to the registered office of the Company together with the Option certificate and paying the applicable exercise price in respect of each Option being exercised.
- (i) Each Option is exercisable into one Share in the Company ranking equally in all respects with the existing issued Shares in the Company. Following allotment of a Share as a result of the exercise, the Company will make an application, within the period specified in the Listing Rules, for the new Share to be quoted on ASX.
- (j) Each Option will lapse on the earliest to occur of: (i) the date specified in the Option certificate as the date on which the Option expires or lapses; or (ii) the date on which the Option holder ceases to be an Eligible Employee, regardless of the reasons or causes for the Option holder ceasing to be an Eligible Employee.
- (k) Subject to certain exceptions, the total number of Shares issued as a result of exercise of Options issued under the Plan during the previous five year period must not exceed 5% of the Company's issued share capital.

## **SCHEDULE 4 – VALUATION OF THE EXECUTIVE AND NON-EXECUTIVE DIRECTOR ZERO EXERCISE PRICE OPTIONS (ZEPO'S)**

The ZEPOs to be issued to the Related Parties pursuant to Resolutions 7-11 have been valued using the Monte Carlo Simulation Model and based on the assumptions set out below:

Item	ZEPO
Value of the underlying security	\$0.435
Exercise price	Nil
Valuation date	22-May-20
10-day VWAP barrier	Nil
Commencement of performance/vesting period	N/A
Performance measurement/vesting date	N/A
Performance/vesting period (years)	N/A
Expiry date	15-Jul-22
Life of the Instruments (years)	2.15
Volatility	110%
Risk-free rate	0.25%
Dividend yield	Nil
Number of Instruments	951,725
Valuation per Instrument	\$0.435
Valuation	\$414,000

The ZEPO's were ascribed the following value:

Related Party	ZEPO's to be Issued		
	Notional Number	Value per ZEPO	Value (\$)
<b>Executives</b>			
Andy Beckwith	344,828	\$0.435	150,000
Simon Lilly	275,862	\$0.435	120,000
<b>Non-executives</b>			
Eduard Eshuys	110,345	\$0.435	48,000
Peter Hood	110,345	\$0.435	48,000
Bruce Parncutt	110,345	\$0.435	48,000
<b>TOTAL</b>	<b>951,725</b>		<b>414,000</b>

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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**Board** means the current board of directors of the Company.

**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 entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means De Grey Mining Ltd (ACN 094 206 292).

**Constitution** means the Company's constitution.

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

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

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

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Listing Rules** means the Listing Rules of ASX.

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

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

**Proxy Form** means the proxy form accompanying the Notice.

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

**Section** means a section of the Explanatory Statement.

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

**Shareholder** means a registered holder of a Share.

**Special Circumstances** means death or serious disability.

**VWAP** means the volume weighted average price of the Company's Shares, as traded on the ASX.

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

If you are attending the meeting  
in person, please bring this with you  
for Securityholder registration.

Holder Number:

## Vote by Proxy: DEG

Your proxy voting instruction must be received by **11.00am (WST) on Wednesday 8 July 2020**, being not later than **48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

### SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



### SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

#### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

#### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

#### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

#### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

- 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 lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

#### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

#### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

#### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



