



# CYGNUS GOLD

**Cygnus Gold Limited**  
**ACN 609 094 653**

## **Notice of General Meeting**

**The General Meeting of the Company will be held at  
Level 3, 24 Outram Street, West Perth, Western Australia, 6005 on Monday, 7  
September 2020 at 9.00am (WST).**

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

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

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

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

**Cygnus Gold Limited**  
**ACN 609 094 653**  
**(Company)**

## **Notice of General Meeting**

Notice is hereby given that the general meeting of Shareholders of Cygnus Gold Limited will be held at Level 3, 24 Outram Street, West Perth, Western Australia, 6005 on Monday, 7 September 2020 at 9.00am (WST) (**Meeting**).

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

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Saturday, 5 September 2020 at 5.00pm (WST).

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

### **Agenda**

#### **Resolution 1 – Ratification of prior issue of Tranche 1 Placement Shares**

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

*'That the issue of 10,000,000 Tranche 1 Shares at \$0.045 each is approved under and for the purposes of Listing Rule 7.4 and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'*

#### **Resolution 2 – Approval to issue Tranche 2 Placement Shares**

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

*'That the issue of up to 15,455,556 Tranche 2 Placement Shares at \$0.045 each is approved under and for the purposes of Listing Rule 7.1 and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'*

#### **Resolution 3 – Approval for issue of Director Placement Shares**

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

*'That the issue of Director Placement Shares at \$0.045 each to the Directors (or their respective nominees) as follows:*

- (a) *up to 1,111,111 Shares to Mr Simon Jackson;*
- (b) *up to 1,111,111 Shares to Mr Michael Bohm;*

- (c) up to 1,111,111 Shares to Mr Shaun Hardcastle; and
- (d) up to 1,666,667 Shares to Mr Ray Shorrocks,

*is approved under and for the purposes of Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'*

#### **Resolution 4 – Approval to issue Advisor Options**

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

*'That the issue of up to an aggregate total of 20,500,000 Options to certain advisors (or their respective nominees) is approved under and for the purposes of Listing Rule 7.1 and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'*

#### **Resolution 5 – Approval to issue Incentive Options to Directors**

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

*'That the issue of Incentive Options to the Directors (or their respective nominees) as follows:*

- (a) up to 2,000,000 Options to Mr Simon Jackson;
- (b) up to 2,000,000 Options to Mr Michael Bohm;
- (c) up to 2,000,000 Options to Mr Shaun Hardcastle; and
- (d) up to 2,000,000 Options to Mr Ray Shorrocks,

*is approved under and for the purposes of Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'*

#### **Resolution 6 – Approval to issue Incentive Options to Mr James Merrillees**

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

*'That the issue of up to 1,000,000 Incentive Options to Mr James Merrillees (or his nominees) is approved under and for the purposes of Listing Rules 10.11 and 10.19, sections 200E and 208 of the Corporations Act and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'*

## Voting exclusions

Pursuant to the Listing Rules, the Company will disregard any votes cast in favour of:

- (a) Resolution 1 by or on behalf of any person who participated in the issue of the Tranche 1 Placement Shares, or any of their respective associates;
- (b) Resolution 2 by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any of their respective associates;
- (c) Resolution 3(a), (b), (c) or (d) by or on behalf of Messrs Jackson, Bohm, Hardcastle and Shorrocks (and their respective nominees), or any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates;
- (d) Resolution 4 by or on behalf of the Advisors (and their respective nominees), or any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates;
- (e) Resolution 5(a), (b), (c) and (d) by or on behalf of Messrs Jackson, Bohm, Hardcastle, and Shorrocks (and their respective nominees), or any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates; and
- (f) Resolution 6 by or on behalf of James Merrillees (and his nominees), or any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates.

The above voting exclusions do not apply to a vote cast in favour of the relevant Resolution by:

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

Shares held by or for an employee incentive scheme must only be voted on a Resolution under the Listing Rules if and to the extent that they are held for the benefit of a nominated participant in the scheme; the nominated participant is not excluded from voting on the Resolution under the Listing Rules; and the nominated participant has directed how the Shares are to be voted.

## Voting prohibitions

**Resolution 5(a), (b), (c) and (d) and Resolution 6:** In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

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

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

However, the above prohibition does not apply if:

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

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

Further, in accordance with section 200E(2A) of the Corporations Act, a vote on **Resolution 6** must not be cast (in any capacity) by or on behalf of Mr James Merrillees (or his nominees) or any of their respective associates.

However, a vote may be cast by such a person if:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) it is not cast on behalf of Mr Merrillees (or his respective nominees) or an associate of those persons.

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

**BY ORDER OF THE BOARD**

A handwritten signature in dark ink, appearing to read 'M Naylor', written in a cursive style.

Michael Naylor  
Company Secretary  
**Cygnus Gold Limited**  
Dated: 4 August 2020

**Cygnus Gold Limited**  
**ACN 609 094 653**  
**(Company)**

## **Explanatory Memorandum**

### **1. Introduction**

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 3, 24 Outram Street, Western Australia, 6005 on Monday, 7 September 2020 at 9.00am (WST)

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

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

Section 2	Action to be taken by Shareholders
Section 3	Resolution 1 – Ratification of prior issue of Tranche 1 Placement Shares
Section 4	Resolution 2 – Approval to issue Tranche 2 Placement Shares
Section 5	Resolution 3 – Approval for issue of Director Placement Shares
Section 6	Resolution 4 – Approval to issue Advisor Options
Section 7	Resolutions 5 & 6 - Approval to issue Incentive Options to related parties
Schedule 1	Definitions
Schedule 2	Terms and conditions of Advisor Options and Incentive Options
Schedule 3	Valuation of Incentive Options

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

### **2. Action to be taken by Shareholders**

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

#### **2.1 Impact of COVID-19 on the Meeting**

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

Based on the best information available to the Board at the time of the Notice, the Board considers it will be in a position to hold an 'in-person' meeting to provide Shareholders with a reasonable opportunity to participate in and vote at the Meeting, while complying with the COVID-19 restrictions regarding gatherings. The Company, however, strongly encourages Shareholders to submit proxies prior to the Meeting.

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

## **2.2 Voting in person**

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

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

## **2.3 Proxies**

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

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

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

Proxy Forms can be lodged:

Online: At [www.investorvote.com.au](http://www.investorvote.com.au)

By mail: Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne VIC 3001

By fax: 1800 783 447 (within Australia)  
+61 3 9473 2555 (outside Australia)

## **2.4 Chair's voting intentions**

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

Subject to the following paragraph, if the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on any of the Resolutions by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention, even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.



If the Chair is a person referred to in the voting prohibition statement applicable to a Resolution (under section 224 of the Corporations Act), the Chair will only be able to cast a vote as proxy for you on the relevant Resolution if you are entitled to vote and have specified your voting intention in the Proxy Form.

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

#### 3.1 **General**

On 1 July 2020, the Company announced that it had received firm commitments to raise \$1.37 million before costs through the issue of 30,455,556 Shares at \$0.045 each (**Placement**). The Placement will be undertaken as follows:

- (a) 10,000,000 Shares issued under the Company's Listing Rule 7.1. placement capacity (**Tranche 1 Placement Shares**); and
- (b) 15,455,556 Shares to be issued subject to Shareholder approval (the subject of Resolution 2) (**Tranche 2 Placement Shares**); and
- (c) 5,000,000 Shares to be issued to Directors (the subject of Resolution 3) (**Director Placement Shares**).

Resolution 1 seeks the approval of Shareholders under and for the purposes of Listing Rule 7.4 to ratify the issue of the Tranche 1 Placement Shares.

#### 3.2 **Listing Rules 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 shares it had on issue at the start of that period.

The issue of the Tranche 1 Placement Shares does not fit within any of the exceptions to Listing Rule 7.1 and, as it has not yet been approved by Shareholders, effectively uses up part of the Company's 15% placement capacity under Listing Rule 7.1. This reduces the Company's capacity to issue further Equity Securities without Shareholder approval under that Listing Rule for the 12 month period following the issue of the Tranche 1 Placement Shares.

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 Listing Rules 7.1.

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.

If Resolution 1 is passed, the issue of 10,000,000 Tranche 1 Placement Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue of those Tranche 1 Placement Shares.

If Resolution 1 is not passed, the issue of 10,000,000 Tranche 1 Placement Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the

number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue of the Tranche 1 Placement Shares.

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

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Tranche 1 Placement Shares:

- (a) the Tranche 1 Placement Shares were issued to sophisticated and professional investors to whom a disclosure document does not need to be provided under the Corporations Act, none of whom is a related party of the Company. No lead manager was appointed to manage the Placement. The participants in the Placement are existing contacts of the Company and were identified by the Company after it sought expressions of interest from non-related parties to participate in the Placement. The following entities are Advisors and were each issued more than 1% of the Company's current issued capital at the time of their issue: Stephen Parsons, Michael Naylor and Sam Brooks. The remaining participants are not considered to be Material Investors;
- (b) 10,000,000 Tranche 1 Placement Shares were issued on 6 July 2020;
- (c) the Tranche 1 Placement Shares were issued at \$0.045 per Share;
- (d) the Tranche 1 Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (e) the proceeds from the issue of the Tranche 1 Placement Shares are intended to be used to fund the Company's exploration activities in the Southwest Terrane, in the Wheatbelt region of Western Australia, on tenement holding expenses, toward business development opportunities and for general working capital;
- (f) there are no additional material terms with respect to the agreements for the issue of the Tranche 1 Placement Shares; and
- (g) a voting exclusion statement is included in the Notice.

### 3.4 **Board recommendation**

Resolution 1 is an ordinary resolution.

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

## 4. **Resolution 2 – Approval to issue Tranche 2 Placement Shares**

### 4.1 **General**

Refer to Section 3.1 for details of the Placement.

Resolution 2 seeks the approval of Shareholders for the issue of up to 15,455,556 Tranche 2 Placement Shares to raise up to \$695,500 (before costs) under and for the purposes of Listing Rule 7.1.

## 4.2 **Listing Rule 7.1**

A summary of Listing Rule 7.1 is contained in Section 3.2 above.

The proposed issue of Tranche 2 Placement Shares does not fit within any of the exceptions to Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

Resolution 2 seeks the required Shareholder approval to the issue of the Tranche 2 Placement Shares under and for the purposes of Listing Rule 7.1.

If Resolution 2 is passed, the Company will be able to proceed with the issue of the Tranche 2 Placement Shares and raise up to \$695,500 (before costs) to fund the Company's exploration activities in the Southwest Terrane, in the Wheatbelt region of Western Australia, tenement holding expenses, business development opportunities and general working capital. In addition, the issue will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 2 is not passed, the Company will not be able to proceed with the proposed issue of the Tranche 2 Placement Shares and may need to raise additional funds through an equity capital raising of a lesser amount using any remaining capacity under Listing Rules 7.1 and 7.1A, debt financing, joint ventures, licensing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and projects may result in delay and indefinite postponement. In turn, this could result in the Company's tenements being subject to forfeiture, and could affect the Company's ability to operate as a going concern. There can be no assurance that additional finance will be available when needed or, if available, that the terms of the financing will be favourable to the Company.

## 4.3 **Specific information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Tranche 2 Placement Shares:

- (a) the Tranche 2 Placement Shares will be issued to sophisticated and professional investors to whom a prospectus does not need to be provided under the Corporations Act. None of the participants in the Placement will be related parties of the Company. No lead manager has been appointed to manage the Placement. The participants in the Placement are existing contacts of the Company and were identified by the Company after it sought expressions of interest from non-related parties to participate in the Placement. The following entities are Advisors and will each be issued more than 1% of the Company's current issued capital: Luke Gleeson and Marcus Harden. The remaining participants are not considered to be Material Investors;
- (b) a maximum of 15,455,556 Shares are to be issued as Tranche 2 Placement Shares;
- (c) the Tranche 2 Placement Shares will be issued as fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue;
- (d) the Tranche 2 Placement Shares will be issued no later than three months after the date of the Meeting. It is intended that the Tranche 2 Placement Shares will be issued on or about the date of the Meeting;
- (e) the Tranche 2 Placement Shares will be issued at \$0.045 per Share;

- (f) proceeds from the issue of the Tranche 2 Placement Shares are intended to be used for the same purposes as all other funds raised under the Placement (as set out in Section 3.3(e));
- (g) there are no additional material terms with respect to the agreements for the issue of the Tranche 2 Placement Shares; and
- (h) a voting exclusion statement is included in the Notice.

#### 4.4 **Board recommendation**

Resolution 2 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 2.

### 5. **Resolution 3 – Approval for issue of Director Placement Shares**

#### 5.1 **General**

The Company is seeking Shareholder approval to issue the Director Placement Shares to raise up to \$920,500 (before costs) pursuant to Resolution 2.

Each of the Directors wish to participate in the Placement. Simon Jackson, Michael Bohm, Shaun Hardcastle and Ray Shorrocks each wish to subscribe for Tranche 2 Placement Shares, subject to Shareholder approval being obtained.

Messrs Jackson, Bohm and Hardcastle (or their respective nominees) are each proposing to subscribe for up to \$50,000 worth of Director Placement Shares (1,111,111 Shares each) and Mr Shorrocks (or his nominee) is proposing to subscribe for up to \$75,000 worth of Director Placement Shares under the Placement (1,666,667 Shares).

Resolution 3(a), (b), (c), and (d) seek Shareholder approval for the issue of up to an aggregate total of 5,000,000 Directors Placement Shares under and pursuant to Listing Rule 10.11.

#### 5.2 **Listing Rule 10.11**

Listing Rule 10.11 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) a related party (Listing Rule 10.11.1);
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial holder (30%+) in the company (Listing Rule 10.11.2);
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial holder (10%+) 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 (Listing Rule 10.11.3);
- (d) an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3 (Listing Rule 10.11.4); or

- (e) a person whose relation with the company or a person referred to in Listing Rule 10.11.1 or 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders (Listing Rule 10.11.5),

unless it obtains the approval of its shareholders.

The proposed issue of Director Placement Shares 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.

Resolution 3(a), (b), (c), and (d) seek the required Shareholder approval for the issue of the Director Placement Shares under and for the purposes of Listing Rule 10.11.

If each of the Resolutions which form part of Resolution 3 is passed, the Company will be able to proceed with the issue of the Director Placement Shares and raise up to \$225,000 (before costs) to fund the Company's exploration activities in the Southwest Terrane, in the Wheatbelt region of Western Australia, tenement holding expenses, business development opportunities and general working capital.

If any of the Resolutions which form part of Resolution 3 is not passed, the Company will not be able to proceed with the issue of the Director Placement Shares and may need to raise additional funds through an equity capital raising of a lesser amount using any remaining capacity under Listing Rules 7.1 and 7.1A, debt financing, joint ventures, licensing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and projects may result in delay and indefinite postponement. In turn, this could result in the Company's tenements being subject to forfeiture, and could affect the Company's ability to operate as a going concern. There can be no assurance that additional finance will be available when needed or, if available, that the terms of the financing will be favourable to the Company.

### 5.3 **Specific information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of Director Placement Shares:

- (a) the Director Placement Shares Placement Shares will be issued to Messrs Simon Jackson, Michael Bohm, Shaun Hardcastle and Ray Shorrocks (or their respective nominees);
- (b) Messrs Jackson, Bohm, Hardcastle and Shorrocks are related parties of the Company by virtue of being Directors and fall into the category stipulated by Listing Rule 10.11.1. In the event Director Placement Shares are issued to a nominee of a Director, that person will fall into the category stipulated by Listing Rule 10.11.4;
- (c) a maximum of 5,000,000 Director Placement Shares will be issued as follows:
  - (i) up to 1,111,111 Shares to Mr Simon Jackson (or his nominee);
  - (ii) up to 1,111,111 Shares to Mr Michael Bohm (or his nominee);
  - (iii) up to 1,111,111 Shares to Mr Shaun Hardcastle (or his nominee); and
  - (iv) up to 1,666,667 Shares to Mr Ray Shorrocks (or his nominee);

- (d) the Director Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Shares will be issued no later than one month after the date of the Meeting. It is intended that all Director Placement Shares will be issued on or about the date of the Meeting;
- (f) the issue price will be \$0.045 per Share, being the same as all other Shares issued under the Placement;
- (g) proceeds from the issue of the Director Placement Shares are intended to be used for the same purposes as all other funds raised under the Placement (as set out in Section 3.3(e));
- (h) there are no additional material terms with respect to the agreements for the issue of the Director Placement Shares; and
- (i) a voting exclusion statement is included in the Notice.

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

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

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

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

The issue of the Director Placement Shares constitutes giving a financial benefit and the Directors are related parties of the Company by virtue of being Directors.

The Board considers that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Director Placement Shares because the Shares will be issued to the Directors 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.

#### 5.5 **Board recommendation**

Each of the Resolutions which forms part of Resolution 3 is an ordinary resolution.

The Board declines to make a recommendation to Shareholders in relation to each of the Resolutions which forms part of Resolution 3 due to the Directors' personal interests in the outcome of the Resolutions.

## 6. **Resolution 4 – Approval to issue Advisor Options**

### 6.1 **General**

Subject to Shareholder approval, the Company is proposing to issue certain advisors (or their respective nominees) up to 20,500,000 unquoted Options to attract and retain the services of key consultants (**Advisor Options**) as a cost-effective and efficient means of incentivising performance. The Advisor Options will be exercisable at \$0.08 each and will expire three years from the date of issue.

Resolution 4 seeks the approval of Shareholders for the issue of the Advisor Options under and for the purposes of Listing Rule 7.1.

### 6.2 **Listing Rule 7.1**

A summary of Listing Rule 7.1 is in Section 3.2 above.

The proposed issue of Advisor Options does not fit within any of the exceptions to Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

Resolution 4 seeks the required Shareholder approval to the issue of the Advisor Options under and for the purposes of Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to proceed with the issue of the Advisor Options and to incentivise the Advisors. In addition, the issue will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 4 is not passed, the Company will not be able to proceed to issue the Advisor Options and the Company need to consider other means of incentivising the Advisors which could include cash payments.

### 6.3 **Specific information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Advisor Options:

- (a) the Advisor Options will be issued to the Advisors, none of whom is a related party of the Company. Each of the Advisors are considered to be Material Investors of the Company as if their respective Advisor Options were exercised, it would result in the Advisor being issued more than 1% of the anticipated issued capital (on the assumption that no other Shares are issued);
- (b) a maximum of 20,500,000 Options are to be issued as Advisor Options;
- (c) the Advisor Options will be exercisable at \$0.08 each, will expire three years from the date of issue and will otherwise be granted on the terms and conditions set out in Schedule 2;
- (d) the Advisor Options will be issued no later than three months after the date of the Meeting. It is intended that the Advisor Options will be issued on or about the date of the Meeting;

- (e) the Advisor Options will be issued for nil cash consideration to attract and retain the services of advisors to the Company and as such, no funds will be raised from the issue;
- (f) there are no additional material terms with respect to the agreements for the issue of the Advisor Options; and
- (g) a voting exclusion statement is included in the Notice.

#### 6.4 **Board recommendation**

Resolution 4 is an ordinary resolution.

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

### 7. **Resolutions 5 & 6 - Approval to issue Incentive Options to related parties**

#### 7.1 **General**

As announced on 1 July 2020, the Company is proposing, subject to obtaining Shareholder approval, to issue a total of 8,000,000 unquoted Options to Directors Simon Jackson, Michael Bohm, Shaun Hardcastle and Ray Shorrocks (or their respective nominees) as part of their remuneration as Directors of the Company (**Incentive Options**).

The Incentive Options will provide an incentive component to the Directors' remuneration packages, and align their interests with those of Shareholders. The Board considers that the number of Incentive Options to be granted to the Directors is commensurate with their value to the Company and is an appropriate method to provide cost effective remuneration.

In conjunction with the Placement, James Merrillees resigned from his position as Managing Director on 1 July 2020. In recognition of Mr Merrillees' service and past performance with the Company, the Company is also proposing to issue 1,000,000 Incentive Options to Mr Merrillees (or his nominee).

The Incentive Options will be issued to the Directors and Mr Merrillees (or their respective nominees) as follows:

<b>Recipient</b>	<b>Incentive Options</b>
Simon Jackson	2,000,000
Michael Bohm	2,000,000
Shaun Hardcastle	2,000,000
Ray Shorrocks	2,000,000
James Merrillees	1,000,000
<b>TOTAL</b>	<b>9,000,000</b>



The Incentive Options will be issued for nil cash consideration, exercisable at \$0.08 each and expiring three years from the date of issue. The full terms and conditions of the Incentive Options are in Schedule 2.

The Resolutions which form part of Resolution 5 seek Shareholder approval for the issue of the Incentive Options to Messrs Jackson, Bohm, Hardcastle and Shorrocks (or their respective nominees) under and for the purposes of Listing Rule 10.11 and sections 195(4) and 208 of the Corporations Act.

Resolution 6 seeks Shareholder approval for the issue of the Incentive Options to Messrs Merrillees (or his nominees) under and for the purposes of Listing Rules 10.11, 10.19 and sections 200E and 208 of the Corporations Act.

## **7.2 Listing Rule 10.11**

A summary of Listing Rule 10.11 is contained in Section 5.2 above.

The proposed issues of Incentive Options fall within Listing Rule 10.11.1 and do not fall within any of the exceptions in Listing Rule 10.12. They therefore require the approval of Shareholders under Listing Rule 10.11.

Resolution 5(a), (b), (c) and (d) and Resolution 6 seek the required Shareholder approval for the issues of Incentive Options under and for the purposes of Listing Rule 10.11.

If each of the Resolutions which form part of Resolution 5 and Resolution 6 are passed, the Company will be able to proceed with the issue of the Incentive Options to the Directors and Mr Merrillees (or their respective nominees) and those parties will be incentivised and remunerated accordingly.

If any of the Resolutions which form part of Resolution 5 or Resolution 6 is not passed, the Company will not be able to proceed with that issue of Incentive Options to the relevant Director or Mr Merrillees (or their respective nominees) and the Company may need to consider other forms of incentives and remuneration, including by the payment of cash.

## **7.3 Specific information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of Incentive Options:

- (a) the Incentive Options will be issued to Messrs Simon Jackson, Michael Bohm, Shaun Hardcastle, Ray Shorrocks and James Merrillees (or their respective nominees);
- (b) Messrs Jackson, Bohm, Hardcastle, Shorrocks and Merrillees are related parties of the Company by virtue of being current or former Directors and fall into the category stipulated by Listing Rule 10.11.1. In the event Incentive Options are issued to a nominee of a Director or Mr Merrillees, that person will fall into the category stipulated by Listing Rule 10.11.4;
- (c) a maximum of 9,000,000 Incentive Options will be issued as follows:
  - (i) up to 2,000,000 Options to Mr Simon Jackson (or his nominees);
  - (ii) up to 2,000,000 Options to Mr Michael Bohm (or his nominees);
  - (iii) up to 2,000,000 Options to Mr Shaun Hardcastle (or his nominees);

- (iv) up to 2,000,000 Options to Mr Ray Shorrocks (or his nominees); and
- (v) up to 1,000,000 Options to Mr James Merrillees (or his nominees);
- (d) the Incentive Options will be issued with an exercise price of \$0.08 each, will expire three years from the date of issue and will otherwise be issued on the terms set out in Schedule 2;
- (e) the Incentive Options will be issued no later than one month after the date of the Meeting. It is intended that the Incentive Options will be issued on or about the date of the Meeting;
- (f) the Incentive Options will be issued for nil cash consideration as they will be issued as part of the remuneration packages of current Directors and in recognition of a former Director's services. Accordingly, no funds will be raised from the issues;
- (g) prior to his resignation, Mr Merrillees' annual remuneration package totalled \$281,796, including superannuation, \$17,308 of annual leave and Performance Rights valued at \$16,469. The annual remuneration packages of the current Directors are as follows:

Directors	Salary (inclusive of superannuation)
Simon Jackson <sup>1</sup>	\$41,336
Michael Bohm <sup>1</sup>	\$50,826
Shaun Hardcastle	\$40,000
Ray Shorrocks	\$40,000

**Note:**

- 1. Includes \$3,376 Share based payments which relate to the Performance Rights issued on 18 June 2019, being the amount disclosed in the 2019 Annual Report.

- (h) there are no additional material terms with respect to the agreements for the issue of the Incentive Options; and
- (i) a voting exclusion statement is included in the Notice.

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

On 1 July 2020, James Merrillees resigned from his position as Managing Director. In recognition of Mr Merrillees' service to and past performance with the Company, the Company is proposing to issue him (or his nominee) up to 1,000,000 Incentive Options.

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a 'managerial or executive office' (as defined in the Corporations Act) if an exemption applies or if the benefit is approved by shareholders in accordance with section 200E of the Corporations Act.

Mr Merrillees held a 'managerial or executive office' as his details are included in the Directors' Report by virtue of being a Director.

The termination 'benefit' under section 200B of the Corporations Act has a wide operation and relevantly includes, in the context of Resolution 6, the issue of Incentive Options to Mr Merrillees.

Resolution 6 therefore also seeks approval for the issue of the Incentive Options to Mr Merrillees as a termination benefit.

#### **7.5 Specific information required by section 200E(2) of the Corporations Act**

The Incentive Options have an exercise price of \$0.08 each and expire three years from the date of issue and otherwise are on the terms in Schedule 2.

The valuation of the Incentive Options to be issued to Mr Merrillees is in Schedule 3, with the total value assessed at \$50,779.

The final value of the termination benefit payable to Mr Merrillees cannot presently be ascertained. However, matters, events and circumstances that will, or are likely to, affect the calculation of that value include:

- (a) the market price of the Shares on ASX when the Incentive Options are exercised, and the resultant Shares are sold; and
- (b) the risk free rate of return in Australia and the estimated volatility of the Company' Shares on ASX at the relevant time.

#### **7.6 Listing Rule 10.19**

Listing Rule 10.19 provides that without the approval of shareholders, an entity must ensure that no officer of the entity or any of its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

The Company is seeking Shareholder approval for the purposes of Listing Rule 10.19 for the issue of the Incentive Options to Mr Merrillees. Details regarding the value of the termination benefit payable to Mr Merrillees by the issue of the Incentive Options are in Section 7.5 above.

It is possible that the provision of the benefit associated with the issue of the Incentive Options in the future may exceed 5% of the equity interests of the Company at the relevant time, although it is considered unlikely. 5% of the equity interests of the Company as at 31 December 2019 is \$254,219.

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

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

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

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

It is the view of the Board that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, the Company is seeking approval for the purposes of Chapter 2E of the Corporations Act in respect of the proposed issue of the Incentive Options pursuant to each of the resolutions which form part of Resolution 5 and Resolution 6.

## 7.8 Information requirements for Chapter 2E of the Corporations Act

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

(a) **Identity of the related parties to whom Resolution 5 and Resolution 6 permit financial benefits to be given**

The Incentive Options will be issued to Simon Jackson, Michael Bohm, Shaun Hardcastle, Ray Shorrocks and James Merrillees, or their respective nominees.

(b) **Nature of the financial benefit**

Resolution 5 and Resolution 6 seek approval from Shareholders to allow the Company to issue the Incentive Options in the amounts specified in Section 7.1 above to the Directors and Mr Merrillees (or their respective nominees). The Incentive Options are to be issued on the terms and conditions in Schedule 2.

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

(c) **Valuation of financial benefit**

The valuation of the Incentive Options is in Schedule 3, with a summary for each proposed recipient below:

Recipient	Value of Incentive Options
Simon Jackson	\$101,559
Michael Bohm	\$101,559
Shaun Hardcastle	\$101,559
Ray Shorrocks	\$101,559
James Merrillees	\$50,779

(d) **Remuneration of current and former Directors**

The current total remuneration package for each of the Directors as at the date of this Notice, and the total remuneration package for Mr Merrillees prior to his resignation, is set out in Section 7.3(g) above.

(e) **Existing relevant interests**

At the date of this Notice, the Directors and Mr Merrillees hold the following relevant interests in Equity Securities of the Company:

Related party	Shares	Performance Rights
Simon Jackson	404,446	Nil
Michael Bohm	4,226,669	Nil
Shaun Hardcastle	Nil	Nil
Ray Shorrocks	Nil	Nil
James Merrillees	200,000	350,000 <sup>1</sup>

**Note:**

1. Existing performance rights held are comprised of:
  - (a) 175,000 Class A performance rights to vest by 31 December 2020 upon satisfaction of the relevant vesting conditions:
    - (i) 30 Day VWAP exceeds \$0.10 at any time up until 31 December 2020; or
    - (ii) 5 Day VWAP as at 31 December 2020 is greater than \$0.10; and
  - (b) 175,000 Class B performance rights to vest by 31 December 2020 upon satisfaction of the relevant vesting conditions:
    - (i) 30 Day VWAP exceeds \$0.20 at any time up until 31 December 2020; or
    - (ii) 5 Day VWAP as at 31 December 2020 is greater than \$0.20,on the terms and conditions set out in the Company's 2019 notice of annual general meeting.

Shareholders should note that the Company is also seeking approval pursuant to the resolutions which form part of Resolution 3 to issue Tranche 2 Placement Shares to the Directors.

Assuming that each of the resolutions which form part of Resolution 5 and Resolution 6 are approved by Shareholders, all of the Incentive Options are issued and exercised into Shares, and no other Equity Securities are issued or exercised, the respective interests of the Directors and Mr Merrillees in the Company would be as follows:

- (i) Mr Jackson's interest would represent approximately 2.76% of the Company's expanded capital;
- (ii) Mr Bohm's interest would represent approximately 7.14% of the Company's expanded capital;
- (iii) Mr Hardcastle's interest would represent approximately 2.29% of the Company's expanded capital;

- (iv) Mr Shorrocks's interest would represent approximately 2.29% of the Company's expanded capital; and
- (v) Mr Merrillees' interest would represent approximately 1.38% of the Company's expanded capital.

(f) **Trading history**

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

Highest: \$0.245 per Share on 15 July 2020

Lowest: \$0.022 per Share on 13 March 2020

The latest available closing market sale price of the Shares on ASX prior to the date of this Notice was \$0.165 per Share on 3 August 2020.

(g) **Dilution**

The issue of the Incentive Options will have a diluting effect on the percentage interest of existing Shareholders' holdings if the Incentive Options are exercised. The potential dilution effect is summarised below:

Incentive Options	Dilutionary effect
9,000,000	10.32%

The above table assumes the current Share capital structure as at the date of this Notice (being 78,251,081 Shares on 3 August 2020) and that no Shares are issued other than the Shares issued on exercise of the Incentive Options. The exercise of all of the Incentive Options will result in a total dilution of all other Shareholders' holdings of 10.32% on a fully diluted basis (assuming that all Incentive Options are exercised). The actual dilution will depend on the extent that additional Shares are issued by the Company (including the Tranche 2 Placement Shares for which Shareholder approval is sought pursuant to Resolution 2 and Resolution 3).

(h) **Corporate governance**

Mr Merrillees is a former executive director of the Company and therefore the Board believes that the grant of the Incentive Options is in line with Recommendation 8.2 of the 3rd and 4th editions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board notes that the Incentive Options to be issued to the non-executive Directors, Messrs Hardcastle, Shorrocks, Jackson and Bohm, are not performance-based, which is in line with good corporate governance protocols. There are no vesting or employment conditions attached to the Incentive Options and the terms of the Incentive Options are comparable to the terms of the Options to be granted to non-related parties (ie the Advisor Options). The Board considers the grant of Incentive Options to the non-executive Directors reasonable in the circumstances for the reasons set out in Section 7.1.

(i) **Taxation consequences**

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

(j) **Director recommendations**

The Directors decline to make a recommendation to Shareholders in relation to the resolutions which form part of Resolution 5 and Resolution 6 due to their personal interests in the outcome of the Resolutions.

(k) **Other information**

The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolutions which form part of Resolution 5 and Resolution 6.

**7.9 Board recommendation**

Each of the resolutions which form part of Resolution 5 is an ordinary resolution. Resolution 6 is also an ordinary resolution.

The Directors decline to make a recommendation to Shareholders in relation to the resolutions which form part of Resolution 5 due to their personal interests in the outcome of the Resolutions.

The Board recommends that Shareholders vote in favour of Resolution 6.

## Schedule 1      Definitions

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

<b>\$</b>	means Australian Dollars.
<b>Advisors</b>	means the following personnel engaged to provide corporate and commercial advisory services to the Company: Stephen Parsons, Michael Naylor, Sam Brooks, Luke Gleeson, Marcus Harden, CG Nominees (Australia) Pty Ltd and Astrid Hill Pty Ltd.
<b>Advisor Options</b>	means 20,500,000 Options to be issued to the Advisors on the terms and conditions in Schedule 2 which are the subject of Resolution 4.
<b>ASX</b>	means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
<b>Board</b>	means the board of Directors.
<b>Chair</b>	means the person appointed to chair the Meeting of the Company convened by the Notice.
<b>Closely Related Party</b>	means: <ul style="list-style-type: none"><li>(a) a spouse or child of the member; or</li><li>(b) has the meaning given in section 9 of the Corporations Act.</li></ul>
<b>Company</b>	means Cygnus Gold Limited (ACN 609 094 653).
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Director</b>	means a director of the Company.
<b>Director Placement Shares</b>	means up to 5,000,000 Shares to be issued to Directors under the Placement, which are the subject of Resolution 3.
<b>Equity Security</b>	has the same meaning as in the Listing Rules.
<b>Explanatory Memorandum</b>	means the explanatory memorandum which forms part of the Notice.
<b>Incentive Options</b>	means up to 9,000,000 Options to be issued to the Directors and Mr Merrillees on the terms and conditions in Schedule 2, which are the subject of the resolutions which form Resolution 5 and Resolution 6.
<b>Key Management Personnel</b>	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.

<b>Listing Rules</b>	means the listing rules of ASX.
<b>Material Investor</b>	<p>means, in relation to the Company:</p> <ul style="list-style-type: none"><li>(a) a related party;</li><li>(b) Key Management Personnel;</li><li>(c) a substantial Shareholder;</li><li>(d) an advisor; or</li><li>(e) an associate of the above,</li></ul> <p>who received or will receive Securities in the Company which constitute more than 1% of the Company's anticipated capital structure at the time of issue.</p>
<b>Meeting</b>	has the meaning given in the introductory paragraph of the Notice.
<b>Notice</b>	means this notice of general meeting.
<b>Option</b>	means an option to acquire a Share.
<b>Placement</b>	has the meaning given in Section 3.1.
<b>Tranche 1 Placement Shares</b>	means the 10,000,000 Shares issued on 6 July 2020 under the Placement, which are the subject of Resolution 1.
<b>Tranche 2 Placement Shares</b>	means up to 15,455,556 Shares to be issued under the Placement, which are the subject of Resolution 2.
<b>Proxy Form</b>	means the proxy form attached to the Notice.
<b>Resolution</b>	means a resolution referred to in the Notice.
<b>Schedule</b>	means a schedule to the Notice.
<b>Section</b>	means a section of the Explanatory Memorandum.
<b>Securities</b>	means any Equity Securities of the Company (including Shares, Options and Performance Rights).
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means the holder of a Share.
<b>VWAP</b>	means volume weighted average market price.
<b>WST</b>	means Western Standard Time being the time in Perth, Western Australia.

## **Schedule 2      Terms and conditions of Advisor Options and Incentive Options**

The terms of the Options are as follows:

### **1.            Entitlement**

The Options entitle the Option holder (**Optionholder**) to subscribe for one Share upon the exercise of each Option.

### **2.            Quotation of Options**

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

### **3.            Issue Price**

The Options will be issued for nil cash consideration per Option.

### **4.            Exercise price and Expiry date**

Each Option (unless otherwise specified) has an exercise price of \$0.08 (**Exercise Price**) and will expire at 5.00pm (AWST) on the date that is 3 years from the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### **5.            Notice of Exercise**

The Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (b) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
- (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

### **6.            Timing of issue of Shares and quotation of Shares on exercise**

As soon as practicable after the valid exercise of an Option by the Optionholder (and in any event, by no later than 5 business days after the valid exercise), the Company will:

- (a) issue, allocate or cause to be transferred to the Optionholder the number of Shares to which the Optionholder is entitled;
- (b) issue a substitute Certificate for any remaining unexercised Options held by the Optionholder;
- (c) if required and subject to paragraph 7, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; and
- (d) do all such acts, matters and things to obtain the grant of quotation of the Shares by ASX in accordance with the Listing Rules.

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

**7. Restrictions on transfer of Shares**

If the Company is unable to give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, Shares issued on exercise of the Options may not be traded until 12 months after their issue unless the Company, at its sole discretion, elects to issue a prospectus pursuant to section 708A(11) of the Corporations Act.

**8. Quotation of Shares on exercise**

The Company will apply for official quotation on ASX of all Shares issued upon exercise of the Options within 10 Business Days after the date of issue of those Shares.

**9. Options transferrable**

The Options will not be transferable except with the prior consent of the Board.

**10. Participation in new issues**

There are no participation rights or entitlements inherent in the Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the Optionholder notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

**11. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will not be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

**12. Adjustment for entitlement issue**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will not be adjusted following an entitlement offer.

**13. Adjustments for reorganisation**

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

## **Schedule 3      Valuation of Incentive Options**

Reference: V100138  
Contact: Ian Wood



14 July 2020

Nick Katris  
Cygnus Gold Ltd  
Level 2, 45 Richardson Street  
West Perth WA 6005  
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## OPTIONS VALUATION

You have requested us to provide an independent valuation of options to be issued to employees for the purpose of disclosing expenses in the company's financial statements and presentation at an Annual General Meeting.

The valuation of the options issued is attached in Appendix 1.

## SHARE BASED PAYMENTS

AASB 2 Share Based Payment requires that reporting entities must recognise services acquired in a share-based payment transaction as the services are received. The issue of options is in return for employment services provided to the company, therefore the value of these services is to be recognised.

The value of the services acquired by the company is to be measured at the fair value of the equity instruments granted, where the fair value of the services provided cannot be estimated reliably. As the issue of options is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the options to be issued needs to be used as the reliable measurement of the services provided.

As the options will not be listed on the ASX and will not be tradable, the market value of the options cannot be readily determined from any sales data. Therefore, an option pricing model is necessary to provide a value for the options issued.

## OPTION VALUATION MODEL

The options valuation model to be adopted has to provide a valuation of the options issued in accordance with AASB 2. Namely the model has to take into account the following factors:

- The Exercise Price (X)
- The share price at the time of issue (S)
- The expected life of the options (T)
- The share's expected volatility ( $\sigma$ )
- Expected dividends (D)
- The expected risk-free interest rate (rf)

**EXERCISE PRICE**

The exercise price is set in accordance with the terms and conditions of the options to be issued to employees. The exercise price of the options has been set at \$0.08 per option. As the exercise price has presently not been altered, and there is no intention that it be altered, no adjustment to the exercise price is to be made.

**SHARE PRICE AT THE TIME OF ISSUE**

The time of issue is the day on which the options are granted. Grant date is defined in AASB 2 as being the date on which the company and the recipient agree to the terms of the options. If the grant of options is subject to shareholder approval the grant date is the date on which the approval is obtained.

The options in question have a proposed grant date of 31 August 2020, being the date that shareholder approval is expected for the options. As the grant date of the options is in the future, the share price at the time of issue has been estimated as the closing share price on 10 July 2020, which was \$0.18. The share price at the time of the announcement on 1 July 2020 is shown for comparison.

**EXPECTED LIFE OF THE OPTIONS**

The expected life of the options will be taken to be the full period of time from grant date to expiry date. While there may be an adjustment made to take into account any expected early exercise of the options or any variation of the expiry date by the company, there is no past history that either of these factors would warrant an earlier exercise of the options, and no other factors which would indicate that this would be a likely occurrence.

As the company has not paid, and does not intend to pay, dividends over the life of the options, by exercising as close to the expiry date as possible, the option holder can continue to earn interest on their money with the same level of risk and return in their options as they would have if they held shares.

As a result, an option holder will choose to exercise their options as close to the expiry date as possible to generate a higher rate of return for the same level of risk. Therefore, the option holder is not expected to exercise their options earlier than the expiry date and no adjustment to the expected life of the options has been made.

**SHARE PRICE VOLATILITY**

The company has a long history of share transactions by which to gauge the company's share price volatility, and this data provides some indication of the expected future volatility of the company's share price. The share price volatility over the last 3 years was 127.541%. Due to the company's historical share price movements, and the relative percentage of each movement against the share price, it is expected that this volatility will not change significantly over the life of the options.

Therefore a volatility of 127.541% has been used as the expected future share price volatility over the life of the options.

**EXPECTED DIVIDENDS**

The company has not declared dividends in the past and does not expect to declare dividends in the future. As a result, no adjustment has been made to the pricing of the options to take into account payment of dividends, to reflect the expectation that dividends are not expected to be declared over the period of the life of the options.

**RISK FREE RATE**

The risk free rate is the implied yield at the date the options were issued on zero-coupon national government bonds with a remaining life equal to the life of the option.

The interest rates were taken from historical data available from the Reserve Bank of Australia for 3 year Treasury Bonds.

**NUMBER OF OPTIONS ON ISSUE**

AASB 2 requires that where the grant (or vesting) of an equity instrument is conditional upon satisfying specified vesting conditions (except market conditions), those vesting conditions are not taken into account when calculating the fair value of the options at the grant, or issue, date. Instead, the number of options included in the measurement is adjusted to reflect the likelihood of those vesting conditions being met. The amount treated as remuneration is based on the number of options that are expected to vest.

As a result, in accordance with AASB 2, the number of shares to be vested must be adjusted to take into account any expected forfeitures.

The options issued are not subject to performance requirements which might result in the options not vesting to the employees. As a result, the number of options to be vested has not been adjusted to take into account any possible vesting restrictions.

The number of options provided to be provided to employees is 9,000,000 options.

**BLACK-SCHOLES VS BINOMIAL MODEL**

Our engagement is to provide a valuation of options for the purposes of disclosing expenses in the financial statements in accordance with AASB 2 Share Based Payment. Upon reviewing the factors to be taken into account and the variables to be calculated, it is considered that both the Black-Scholes and binomial model are relevant to calculating the value of the options issued to employees. The Binomial method allows for significant customisation of the calculation process, particularly to take into account the payment of dividends. However, as the company does not pay dividends, both models provide similar valuations. Both calculations are provided for comparison.

**TAX VALUE OF OPTIONS – ASSESSABLE INCOME**

Where employees receive options or shares in a company under an employee share scheme at a discount to their market value, the amount of the discount is included in their assessable income in the year in which the shares or rights are received.

Cygnus Gold Ltd has provided options to a number of employees for nil consideration, resulting in the full value of the options being included in the employee's assessable income.

As the options issued are unlisted rights, their market value is, at the choice of the individual:

- (a) The market value of the right (as calculated above); or
- (b) The amount determined by the application of the regulations.

The amount determined by the regulations is the greater of:

- (a) The market value of the share that may be acquired by exercising the right less the exercise price; and
- (b) The value determined by reference to the calculation method in Division 83A Income Tax Assessment Act 1997.

In the present case, the market value will be the share price less the exercise price as the market value is that is than the value determined by the regulations.

Any vesting conditions do not affect the valuation of the market value of the options under Division 83A.

The market values of the rights at the time of issue are attached in Appendix 1.

## **DISCLAIMER**

This report has been prepared from information provided by the directors of Cygnus Gold Ltd, and from other information available to the public. Whilst Value Logic Pty Ltd has taken proper care in assessing the completeness and accuracy of this information, it has not conducted an audit of the information or of the business. Value Logic Pty Ltd's report should not therefore be construed as an auditor's opinion.

Value Logic Pty Ltd does not hold an Australian Financial Services Licence. This report is not intended to influence a person in making a decision in relation to a particular financial product.

## **CONCLUSION**

Upon taking into account the above factors, the Black-Scholes and Binomial model calculations provided valuations for the options to be issued by the company. These valuations were checked and considered reasonable when taking into account the various influencing factors, such as time to expiry and company share price volatility.

Should you have any queries, please do not hesitate to contact the writer.

Yours Sincerely





**Value Logic Pty Ltd***Encl.*

<b>Name of Valuer:</b>	Ian Wood
<b>Name of Firm:</b>	Value Logic Pty Ltd
<b>Professional Qualifications:</b>	B. Bus (Acc), LLB., CA, certificate of public practice holder with ICAA
<b>Statement of experience:</b>	Over 20 years working in public practice, valuing options, convertible notes and performance rights issued by companies and valued for the purposes of AASB 2 and ITAA 1997 and ITAA 1936.
<b>Statement of independence:</b>	This valuation has been prepared with regard to the standards provided under APES 225 Valuation Services. The opinion provided is an independent opinion of value and in providing my opinion I do not consider that I have been influenced by any factors that would cause my independence to be influenced or compromised. Fees charged for this valuation have been calculated on the basis of time, work and professional expertise required to provide this opinion. They have not been calculated on, or were contingent upon, in any way, the outcome of the opinion provided.

## APPENDIX 1

### Cygnus Gold Limited Valuation of Options Issued



Series	incentive options	incentive options	Total
No of options	9,000,000	9,000,000	
Issue Date	1 July 2020	31 August 2020	
Vesting Date	1 July 2020	31 August 2020	
Expiry Date	30 June 2023	31 August 2023	
Share Price (S)	\$0.071	\$0.180	
Exercise Price (X)	\$0.080	\$0.080	
Time to Expiry (T)	3.00	3.00	
Risk Free Rate (Rf)	0.27%	0.27%	
Dividend Yield (D)	0.00%	0.00%	
Volatility ( $\sigma$ )	127.541%	127.541%	
Black-Scholes Value	\$0.051	\$0.149	
Binomial Model Value	\$0.051	\$0.149	
Total Value	\$457,015	\$1,341,000	
Accounting allocation			
30 June 2021	\$457,015	\$1,341,000	
Total Allocation	\$457,015	\$1,341,000	
Taxation Valuation			
Months to Expiry	36	36	
Share price at issue	\$0.071	\$0.180	
Tax Value	\$0.001	\$0.100	
	\$9,360	\$900,000	



**Cygnus Gold Limited**  
ABN 80 609 094 653

## Need assistance?



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



**Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **9:00am (WST) Saturday, 5 September 2020.**

# Proxy Form

## How to Vote on Items of Business

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

### APPOINTMENT OF PROXY

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

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

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

**A proxy need not be a securityholder of the Company.**

## SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

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

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

## ATTENDING THE MEETING

**If you are attending in person, please bring this form with you to assist registration.**

### Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 184006**  
**SRN/HIN:**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

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

### By Fax:

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



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

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

# Proxy Form

Please mark ☒ to indicate your directions

## Step 1 Appoint a Proxy to Vote on Your Behalf

XX

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

☐ the Chairman of the Meeting OR

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Cygnus Gold Limited to be held at Level 3, 24 Outram Street, West Perth, Western Australia on Monday, 7 September 2020 at 9:00am (WST) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Subject to the below, where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 5(a) to 5(d) and 6 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 5(a) to 5(d) and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman. If the Chairman is a person referred to in the Section 224 Corporations Act voting prohibition statements applicable to Resolutions 5(a) to 5(d) and 6, the Chairman will only be able to cast a vote as proxy for you on the relevant Resolution if you are entitled to vote and have specified your voting direction below.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 5(a) to 5(d) and 6 by marking the appropriate box in step 2.

## Step 2 Items of Business

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

		For	Against	Abstain			For	Against	Abstain
1	Ratification of prior issue of Tranche 1 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5(a)	Approval to issue Incentive Options to Directors - Mr Simon Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Approval to issue Tranche 2 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5(b)	Approval to issue Incentive Options to Directors - Mr Michael Bohm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3(a)	Approval for issue of Director Placement Shares to Mr Simon Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5(c)	Approval to issue Incentive Options to Directors - Mr Shaun Hardcastle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3(b)	Approval for issue of Director Placement Shares to Mr Michael Bohm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5(d)	Approval to issue Incentive Options to Directors - Mr Ray Shorrocks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3(c)	Approval for issue of Director Placement Shares to Mr Shaun Hardcastle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6	Approval to issue Incentive Options to Mr James Merrillees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3(d)	Approval for issue of Director Placement Shares to Mr Ray Shorrocks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
4	Approval to issue Advisor Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

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

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

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

**Update your communication details** (Optional)

Mobile Number

Email Address

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

