

13 January 2015

## Notice of General Meeting/Proxy Form

**Mount Ridley Mines Ltd** (ASX: **MRD**) (or “the **Company**”) advises that the attached Notice of General Meeting and Proxy Form has been despatched to shareholders today, 13<sup>th</sup> January 2015.

For and on behalf of the board



Mr Dean Goodwin. AIG  
**Managing Director**

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**MOUNT RIDLEY MINES LIMITED**  
**ACN 092 304 964**

**NOTICE OF GENERAL MEETING**  
**AND**  
**EXPLANATORY MEMORANDUM**

**IMPORTANT INFORMATION**

*This is an important document that should be read in its entirety.  
If you do not understand it you should consult your professional advisers without delay.*

*If you wish to discuss any aspect of this document with the Company please contact  
Mr Keith Bowker on telephone (+61 8) 9481 0544.*

**MOUNT RIDLEY MINES LIMITED  
ACN 092 304 964**

**NOTICE OF GENERAL MEETING**

Notice is hereby given that a General Meeting of the Shareholders of Mount Ridley Mines Limited will be held at HLB Mann Judd, Level 4, 130 Stirling Street, Perth, Western Australia 6000 at 10.00 am (WST) on 10 February 2015 to conduct the following business and to consider, and if thought fit, to pass the following Resolutions.

**AGENDA**

**RESOLUTION 1 – RATIFICATION OF ISSUE OF PLACEMENT SHARES – LISTING RULE 7.1**

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

*“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the allotment and issue of 86,135,597 Shares on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associates of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**RESOLUTION 2 - RATIFICATION OF ISSUE OF PLACEMENT SHARES – LISTING RULE 7.1A**

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

*“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the allotment and issue of 10,669,407 Shares on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associates of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**RESOLUTION 3 – APPROVAL FOR THE ISSUE OF ATTACHING OPTIONS**

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

*“That, for the purpose of Listing Rule 7.1, and for all other purposes, Shareholders approve the allotment and issue of 48,417,502 Attaching Options on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this Resolution is passed, and any associates of such a person. However, the

Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **RESOLUTION 4 – APPROVAL OF PROPOSED ISSUE OF FEE OPTIONS TO RM CORPORATE FINANCE PTY LTD**

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

*“That, for the purpose of Listing Rule 10.11 and Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 48,417,502 Fee Options to RM Corporate Finance Pty Ltd (or its nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice”*

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

#### **RESOLUTION 5 – APPOINTMENT OF NEW DIRECTOR – MR PAUL FROMSON**

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

*“That, in accordance with Clause 13.4 of the Company’s Constitution, Mr Paul Fromson, being eligible and having consented, be appointed as a Director of the Company with immediate effect.”*

#### **RESOLUTION 6 – ISSUE OF OPTIONS TO PROPOSED DIRECTOR – MR PAUL FROMSON**

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

*“That, subject to the passage of Resolution 5, for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 10,000,000 Director Options to Mr Paul Fromson (or his nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice”*

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

**DATED THIS 17<sup>TH</sup> DAY OF DECEMBER 2014**

**BY ORDER OF THE BOARD**

**KEITH BOWKER  
COMPANY SECRETARY**

**Notes:****Definitions**

Terms which are used in this Notice and which are defined in Section 6 of the Explanatory Memorandum have the meanings ascribed to them therein.

**Note**

If you have recently changed your address or if there is any error in the name and address used for this notice please notify the Company Secretary. In the case of a corporation, notification is to be signed by a director or company secretary.

**Proxies**

A Shareholder who is entitled to vote at this Meeting has a right to appoint a proxy and should use the proxy form enclosed with this notice. The proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of this appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, section 249X of the Corporations Act will take effect so that each proxy may exercise half of the votes (ignoring fractions).

A proxy's authority to speak and vote for a Shareholder at the meeting is suspended if the Shareholder is present at the meeting.

The proxy form must be signed and dated by the Shareholder or the Shareholder's attorney. Joint Shareholders must each sign.

Proxy forms and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received:

- at PO Box 964, West Perth, 6872; or
- on facsimile number (+61 8) 9 481 0655,

not later than 10.00am (WST) on 8 February 2015.

Pursuant to regulation 7.11.37 of the Corporations Regulations, the Board has determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Meeting will be as it appears in the share register at 4pm (WST) on 9 February 2015.

**Bodies Corporate**

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one.

Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

**MOUNT RIDLEY MINES LIMITED**  
**ACN 092 304 964**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum forms part of a Notice convening a General Meeting of Shareholders of Mount Ridley Mines Limited to be held at HLB Mann Judd, Level 4, 130 Stirling Street, Perth, Western Australia 6000 at 10.00am (WST) on 10 February 2015. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Certain terms used in the Notice and Explanatory Memorandum are defined in Section 6.

**1. RESOLUTIONS 1 & 2 - RATIFICATION OF THE ISSUE OF PLACEMENT SHARES**

**1.1 Background**

On 12 November 2014, the Company announced that it had issued 96,835,004 Shares at an average issue price of \$0.009 to raise \$849,575 (before costs) (“**Placement**”). The Shares the subject of the Placement were issued with the subsequent issue of a free Attaching Option (exercisable at \$0.021, expiring 30 June 2016) to be issued subject to Shareholder approval being obtained. The issue of the Attaching Options is subject to the receipt of the Shareholder approval sought by Resolution 3.

**1.2 Listing Rules Chapter 7**

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1) and 10% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1A)

Listing Rule 7.2 sets out the exceptions to Listing Rules 7.1 and 7.1A. It provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 and/or Listing Rule 7.1A (and provided that the previous issue did not breach Listing Rules 7.1 or 7.1A) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1 or 7.1A (as the case may be).

By ratifying the issue of the Shares the subject of Resolutions 1 and 2, 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, and the 10% placement capacity under Listing Rule 7.1A, without the requirement to obtain prior Shareholder approval.

Resolutions 1 and 2 are both ordinary resolution.

**1.3 Resolution 1 - 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 Shares the subject of Resolution 1:

- (a) 86,135,597 Shares were issued at an issue price of \$0.008 per Share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act whom were clients of RM Corporate Finance Pty Ltd.
- (d) The funds raised from the issue (being in total \$689,084 (before costs)) will be used towards further exploration on the Fraser Range Project, payments to existing creditors and for working capital purposes.

The Chairman intends to vote all available proxies in favour of Resolution 1.

### **1.3 Resolution 2 - 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 Shares the subject of Resolution 2:

- (a) 10,669,407 Shares were issued at an issue price of \$0.015 per Share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act whom were clients of RM Corporate Finance Pty Ltd.
- (d) The funds raised from the issue (being in total \$160,041 (before costs)) will be used towards further exploration on the Fraser Range Project, payments to existing creditors and for working capital purposes.

The Chairman intends to vote all available proxies in favour of Resolution 2.

## **2. RESOLUTION 3 – APPROVAL FOR THE ISSUE OF ATTACHING OPTIONS**

### **2.1 Background**

48,417,502 free Attaching Options are to be issued to subscribers for the Shares the subject of Resolutions 1 and 2 on the basis of 1 Attaching Option for every Share subscribed for. Approval for the issue of these Attaching Options is sought pursuant to Listing Rule 7.1.

### **2.2 Listing Rule Chapter 7**

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

By approving the issue of Attaching Options, 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.

In the event that Shareholder approval is not obtained for the issue of the Attaching Options, the Attaching Options will be nonetheless issued to the extent permissible under the Company's 15% annual placement capacity, thereby reducing the capacity for the Company to issue further securities without first having to seek Shareholder approval.

Resolution 3 is an ordinary resolution.

### **2.3 Technical 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 approval of the proposed issue of the Attaching Options the subject of Resolution 3:

- (a) 48,417,502 Attaching Options are proposed to be issued;
- (b) The Attaching Options are to be issued to Shareholders who subscribed for the Shares the subject of Resolutions 1 and 2.
- (c) The Attaching Options are exercisable for \$0.021 on or before 30 June 2016 and otherwise on the terms and conditions set out in Schedule 1.

- (d) The Attaching Options will be issued as soon as practicable after the Meeting, and in any event, within 3 months of the date of the Meeting.
- (e) It is anticipated that all of the Attaching Options will be issued on the same date;
- (f) The Attaching Options are free Attaching Options, and as such, no funds will be raised from the issue thereof. If all of the Attaching Options the subject of Resolution 3 are exercised, a total of \$1,016,767 will be raised from the exercise proceeds.

The Chairman intends to vote all available proxies in favour of Resolution 3.

### **3. RESOLUTION 4 - APPROVAL OF PROPOSED ISSUE OF FEE OPTIONS TO RM CORPORATE FINANCE PTY LTD**

#### **3.1 Background**

The Company proposes to grant a total of 48,417,502 Fee Options to RM Corporate Finance Pty Ltd (or its nominees), as consideration for a placement fee payable for the raising of funds pursuant to the Placement.

The Fee Options have an expiry date of 30 June 2016 and an exercise price of \$0.021 each. The full terms and conditions are listed in Schedule 1.

#### **3.2 Reasons shareholder approval is required**

Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party unless one of the exceptions to Section 208 applies or shareholders have approved the giving of that benefit to the related party.

RM Corporate Finance Pty Ltd is a related party of the Company because Mr Guy Le Page (a Director) controls RM Corporate Finance Pty Ltd.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company, issuing securities, and buying an asset from a related party.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Section 217 and 227; and
- (b) give the benefit within 15 months after the approval.

Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party.

Furthermore, Shareholder approval of the issue of the Fee Options under Listing Rule 10.1 means that the grant of the Fee Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

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

- (a) The Fee Options will be issued to RM Corporate Finance Pty Ltd (or its nominee);
- (b) The maximum number of Fee Options to be issued to RM Corporate Finance Pty Ltd (or its nominee) is 48,417,502 Fee Options;



- (c) The Options will be issued not later than 1 month after the date of the Meeting (or such other later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that allotment will occur on the same date.
- (d) The Fee Options will be exercisable for \$0.021 on or before 30 June 2016, and otherwise on the terms and conditions set out in Schedule A;
- (e) The Fee Options will be issued for nil cash consideration as they are being issued as a fee associated with the recent capital raising. Accordingly, no funds will be raised from the issue of the Options. If the all of Options are exercised a total of \$1,016,767 will be raised therefrom.

### **3.4 Section 219 of the Corporations Act**

#### ***The related party to whom the resolutions would permit the financial benefit to be given.***

The related party to whom a financial benefit will be given is RM Corporate Finance Pty Ltd (or its nominee), a company controlled by Mr Guy Le Page (a Director).

#### ***The nature of the financial benefit***

The financial benefit proposed to be given is 48,417,502 Fee Options exercisable for \$0.021 on or before 30 June 2016.

If the Options issued to RM Corporate Finance Pty Ltd (or its nominee) are all exercised, payment of \$1,016,767 will be made for the exercise thereof.

#### ***Directors' interest in the outcome***

Mr Guy Le Page's interest in the outcome of this Resolution 4 is 48,417,502 Options by virtue of Mr Guy Le Page's controlling interest in RM Corporate Finance Pty Ltd.

No other Director has any interest in the outcome of this Resolution.

#### ***Relevant Director's remuneration package***

Mr Guy Le Page currently receives annual remuneration (exclusive of superannuation) of \$30,000. Mr Guy Le Page received \$28,000 from the Company in the financial year ended 30 June 2014, and \$12,000 in the financial year ended 30 June 2013.

RM Corporate Finance Pty has been paid a total of \$40,000 in the two preceding financial years for services provided to the Company (being \$40,000 in the 2014 financial year, and nil in the 2013 financial year).

#### ***Related party's existing interest***

The following tables sets out Directors' interests as at the date of this Notice:

<b>Director</b>	<b>Shares</b>	<b>Options</b>
Mr Guy Le Page	20,000,000	2,500,000 <sup>1</sup>
Mr Dean Goodwin	54,000,000	60,000,000 <sup>2</sup>
Mr Robert Downey	10,000,000	20,000,000 <sup>2</sup>

1. Exercisable at \$0.021 on or before 31 December 2016.

2. Exercisable at \$0.0125 on or before 31 August 2019.

## **Dilution**

The dilution effect if all Fee Options are exercised (and assuming no other Options are exercised and no other Shares are issued) will be 6.78% on Shareholders as set out below.

Shares currently on issue	671,072,320
Resolutions 4 – Fee Options to be issued	48,417,502
Expanded Capital if Options are exercised	719,489,822
Dilutionary Effect	6.78%

## **Trading history**

In the last 12 months before the date of this Notice, the highest, lowest and latest trading prices (as at 11 December 2014) of the listed Shares on ASX are as set out below:

	Shares (ASX: AXC)
Highest (17 October 2014)	\$0.024
Lowest (11 July 2014)	\$0.002
Latest (17 December 2014)	\$0.013

## **Valuation of financial benefit**

The value of the financial benefits to be provided to RM Corporate Finance Pty Ltd is set out in the table below, it has been calculated by management using a Black and Scholes model:

	Financial Benefit	Value of Financial Benefit
<b>RM Corporate Finance Pty Ltd</b>	<b>48,417,502 Fee Options</b>	<b>\$452,034</b>

1. Issued for an issue price of Nil
2. The valuation date was 19 November 2014.
2. The Black and Scholes option valuation methodology was used as the basis for the calculation.
3. The Share price as at the valuation date was \$0.015.
4. Exercise price of \$0.021
4. The risk free interest rate used was 2.45%.
5. A volatility factor of 154.18% was used.
6. There are no vesting conditions.
7. The expected dividend yield is 0%.
8. The value of each Fee Option is \$0.0093
9. The value obtained via the Black and Scholes option valuation method is not the valuation that would be obtained pursuant to the relevant Australian tax legislation.

## **Directors' recommendation and basis of recommendation**

Mr Guy Le Page abstains from making a recommendation in respect of this Resolution 4 given his interest therein.

Mr Robert Downey recommends that Shareholders vote in favour of Resolution 4 on the basis that the issue of the Fee Options to RM Corporate Finance Pty Ltd was agreed by the Company as part of the mandate between the Company and RM Corporate Finance Pty Ltd in respect of RM Corporate Finance Pty Ltd acting as lead manager to the Placement and the provision of other corporate advisory services.

Also, given the speculative nature of the Company's activities and the small management team responsible for its running, Mr Downey considers that the performance of RM Corporate Finance Pty Ltd and the performance and value of the Company are closely related, and the issue of the Fee Options provides additional incentive to RM Corporate Finance Pty Ltd.

Dean Goodwin recommends that Shareholders vote in favour of Resolution 4 relating to the issue of Fee Options to RM Corporate Finance Pty Ltd on the same basis as Mr Downey's recommendation.

The number of Fee Options to be issued to RM Corporate Finance Pty Ltd (i.e. 48,417,502) has been determined in accordance with the mandate with RM Corporate Finance Pty Ltd whereby it was agreed that RM Corporate Finance Pty Ltd would be issued one Option for every two Shares for which the procure subscription under the Placement.

The Chairman intends to vote all available proxies in favour of Resolution 4.

#### **4. RESOLUTION 5 - APPOINTMENT OF NEW DIRECTOR – MR PAUL FROMSON**

Clause 13.4 of the Constitution provides that a person, having been nominated and consented, may be elected at the Meeting.

Mr Paul Fromson has been nominated, and has consented to being appointed as a Director, in accordance with the Constitution.

Mr Fromson is a finance professional with extensive experience in ASX companies since 1994. He has held a variety of senior positions including Company Secretary, CFO and director with experience in exploration and mining companies. He is a CPA and a member of the Governance Institute of Australia and the Australian Institute of Company Directors.

In accordance with the Constitution, Mr Paul Fromson seeks election as Director by Shareholders pursuant to Resolution 5.

Each of the Directors recommend that Shareholders vote in favour of Resolution 5.

#### **5. RESOLUTION 6 - ISSUE OF OPTIONS TO PROPOSED DIRECTOR – MR PAUL FROMSON**

##### **5.1 Background**

The Company is proposing to issue Director Options to Mr Paul Fromson as a component of his remuneration, in order to retain his services, keep cash payments to a minimum and to provide incentives linked to the performance of the Company. The issue of Director Options to Mr Fromson is subject to Mr Fromson being appointed as a Director pursuant to Resolution 5.

Given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the Directors and the performance and value of the Company are closely related. As such, the Director Options proposed to be granted to Mr Fromson will generally only be of benefit if the Directors perform to the level whereby the value of the Company increases sufficiently to warrant Mr Fromson exercising those Director Options.

The Director Options will have an expiry date of 31 August 2019 and an exercise price of \$0.021, and will otherwise be issued on the terms and conditions set out in Schedule B.

##### **5.2 Reasons shareholder approval is required**

Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party unless one of the exceptions to Section 208 applies or shareholders have approved the giving of that benefit to the related party.

Mr Fromson, as a proposed Director, is deemed by Section 228(6) of the Corporations Act to be a related party of the Company.

A “financial benefit” is defined in the Corporations Act in broad terms and includes a public company, issuing securities, and buying an asset from a related party.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Section 217 and 227; and
- (b) give the benefit within 15 months after the approval.

Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party.

Furthermore, Shareholder approval of the issue of the Director Options under Listing Rule 10.1 means that the grant of the Director Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

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

- (a) The Director Options will be issued to Mr Paul Fromson (or his nominee), who is a proposed Director;
- (b) The maximum number of Director Options to be issued to Mr Fromson (or his nominee) is 10,000,000 Director Options;
- (c) The Director Options will be issued not later than 1 month after the date of the Meeting (or such other later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that allotment will occur on the same date.
- (d) The Director Options will be exercisable for \$0.021 on or before 31 August 2019 and will be otherwise issued on the terms and conditions set out in Schedule B;
- (e) The Director Options will be issued for nil cash consideration. Accordingly, no funds will be raised from the issue of the Director Options. If the all of Director Options issued to Mr Fromson are exercised, \$210,000 will be raised from the exercise proceeds.

### **5.4 Section 219 of the Corporations Act**

#### ***The related party to whom the resolutions would permit the financial benefit to be given.***

The related party to whom a financial benefit will be given is Mr Paul Fromson (or his nominee), who is a proposed Director.

#### ***The nature of the financial benefit***

The financial benefit proposed to be given is 10,000,000 Director Options to Mr Fromson (or his nominee).

If the Director Options issued to Mr Fromson (or his nominee) are all exercised, payment of \$210,000 will be made.

#### ***Directors' interest in the outcome***

No current Director has any interest in the outcome of Resolution 6.

### **Relevant Director's remuneration package**

Mr Fromson is not currently a Director. As such, Mr Fromson does not, and has not, received any remuneration from the Company in this capacity. Mr Fromson has, from 9 September 2014, provided consultancy services to the Company at the rate of \$1,200 per day. Up to the date of this Notice, Mr Fromson has been paid or accrued a total of \$27,600.

It is proposed that, if Mr Fromson is appointed as a Director (pursuant to Resolution 5), that he will receive directors fees of \$30,000 (inclusive of superannuation) per annum.

### **Related party's existing interest**

The following tables sets out Mr Fromson's interests as at the date of this Notice:

	<b>Shares</b>	<b>Options<sup>1</sup></b>
Mr Paul Fromson	25,000,000	25,000,000

1. Options exercisable for \$0.0125 on or before 31 August 2019.

### **Dilution**

The dilution effect if all Director Options are exercised (and assuming no other Options are exercised and no other Shares are issued) will be 1.47% on Shareholders as set out below.

Shares currently on issue	671,072,320
Resolutions 6 – Director Options to be issued	10,000,000
Expanded Capital if Options are exercised	681,072,320
Dilutionary Effect	1.47%

### **Trading history**

In the last 12 months before the date of this Notice, the highest, lowest and latest trading prices (as at 12 December 2014) of the listed Shares on ASX are as set out below:

	Shares (ASX: AXC)
Highest (17 October 2014)	\$0.024
Lowest (11 July 2014)	\$0.002
Latest (17 December 2014)	\$0.013

### **Valuation of financial benefit**

The value of the financial benefits to be provided to Mr Paul Fromson is set out in the table below, it has been calculated by management using a Black and Scholes model:

	<b>Financial Benefit</b>	<b>Value of Financial Benefit</b>
<b>Paul Fromson</b>	<b>10,000,000 Director Options</b>	<b>\$134,660</b>

1. Issued for an issue price of Nil
2. The valuation date was 19 November 2014.
3. The Black and Scholes option valuation methodology was used as the basis for the calculation.
4. The Share price as at the valuation date was \$0.015
5. Exercise price of \$0.021
6. The risk free interest rate used was 2.45%.
7. A volatility factor of 154.18% was used.
8. There are no vesting conditions.
9. The expected dividend yield is 0%.
10. The value of each Director Option is \$0.0135
11. The value obtained via the Black and Scholes option valuation method is not the valuation that would be obtained pursuant to the relevant Australian tax legislation.

### ***Directors' recommendation and basis of recommendation***

Mr Robert Downey recommends that Shareholders vote in favour of Resolution 6 (subject to Shareholder approval being obtained for Resolution 5 relating to the appointment of Mr Fromson as a Director) relating to the issue of Director Options to Mr Paul Fromson on the basis that the Director Options are to be issued as an incentive to Mr Fromson, and in order to retain his valuable services and provide incentives linked to the performance of the Company.

Also, given the speculative nature of the Company's activities and the small management team responsible for its running, Mr Downey considers (in relation to the issue of Director Options to Mr Fromson) that the performance of the Directors and the performance and value of the Company are closely related. As such, the Director Options will generally only be of benefit to Mr Fromson if the Directors perform to the level whereby the value of the Company increases sufficiently to warrant exercising those Director Options.

Mr Dean Goodwin recommends that Shareholders vote in favour of the Resolution 6 on the same basis as Mr Downey's recommendation.

Mr Guy Le Page recommends that Shareholders vote in favour of the Resolution 6 on the same basis as Mr Downey's recommendation.

The number of Director Options to be issued to Mr Fromson (i.e. 10 million Director Options) has been determined having given consideration to the input and value that Mr Fromson will provide to the Company, and also, the level of incentive being provided to each Fromson by virtue of their respective Director Option packages.

Resolution 6 will only be put to the Meeting if Shareholder approval is obtained for Resolution 5.

The Chairman intends to vote all available proxies in favour of Resolution 6.

## 6. DEFINITIONS

In this Notice and Explanatory Memorandum:

“**ASIC**” means the Australian Securities and Investments Commission.

“**ASX**” means ASX Limited ACN 008 624 691.

“**Attaching Options**” means the Options the subject of Resolution 3 being Options proposed to be issued on the terms and conditions set out in Schedule A.

“**Board**” means the board of Directors.

“**Business Day**” has the meaning given to it in the Listing Rules.

“**Chairman**” means the chairman of the Board.

“**Company**” means Mount Ridley Mines Limited (ACN 092 304 964).

“**Constitution**” means the constitution of the Company.

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

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

“**Director Options**” means the Options the subject of Resolution 6 being Options proposed to be issued on the terms and conditions set out in Schedule B.

“**Explanatory Memorandum**” means this Explanatory Memorandum.

“**Fee Option**” means the Options the subject of Resolution 4 being Options proposed to be issued on the terms and conditions set out in Schedule A.

“**Listing Rules**” means the official listing rules of the ASX.

“**Notice**” and “**Notice of Meeting**” means the notice of meeting to which this Explanatory Memorandum is attached.

“**Official List**” means the official list of ASX.

“**Option**” means an option to acquire one Share and “**Optionholder**” has a corresponding meaning.

“**Resolution**” means a resolution set out in this Notice.

“**RM Corporate Finance Pty Ltd**” means RM Corporate Finance Pty Ltd (AFSL 315235)

“**Schedule**” means a schedule to this Notice and Explanatory Memorandum.

“**Section**” means a section of this Explanatory Memorandum.

“**Share**” means an ordinary fully paid ordinary share in the capital of the Company and “**Shareholder**” has a corresponding meaning.

“**Trading Day**” has the meaning ascribed to that term in the Listing Rules.

**“VWAP”** has the meaning ascribed to the term “volume weighted average market price” in the Listing Rules.

**“WST”** means Western Standard Time.



## SCHEDULE A – TERMS AND CONDITIONS OF ATTACHING OPTIONS AND FEE OPTIONS

The Attaching Options and the Fee Options (defined in this Schedule as “**Options**”) entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5:00pm (WST) on 30 June 2016 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse.
- (c) The amount payable upon exercise of each Option is \$0.021 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (i) The Company will not apply for quotation of the Options on ASX.
- (j) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) 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 Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining the entitlements to participate in any such issue.
- (m) Other than as contemplated by paragraph (k), 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.

## SCHEDULE B – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options (defined in this Schedule as "**Options**") entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5:00pm (WST) on 31 August 2019 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse.
- (c) The amount payable upon exercise of each Option is \$0.021 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (i) The Company will not apply for quotation of the Options on ASX.
- (j) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) 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 Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining the entitlements to participate in any such issue.
- (m) Other than as contemplated by paragraph (k), 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.
- (n) The Options are freely transferrable.

**MOUNT RIDLEY MINES LIMITED**  
**ACN 092 304 964**  
**PROXY FORM**

The Secretary  
 Mount Ridley Mines Limited  
 PO Box 964  
 West Perth WA 6872

Fax Number: (+61 8) 9 481 0655

I/We \_\_\_\_\_

of \_\_\_\_\_

being a shareholder/(s) of Mount Ridley Mines Limited hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at HLB Mann Judd, Level 4, 130 Stirling Street, Perth, Western Australia, 6000 at 10.00 am (WST) on 10 February 2015, and at any adjournment thereof in respect of [ ]% of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company. If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is [ ]%. (An additional proxy form will be supplied by the Company on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a Resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

		FOR	AGAINST	ABSTAIN
RESOLUTION 1	RATIFICATION OF ISSUE OF PLACEMENT SHARES – LISTING RULE 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 2	RATIFICATION OF ISSUE OF PLACEMENT SHARES – LISTING RULE 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 3	APPROVAL FOR THE ISSUE OF ATTACHING OPTIONS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 4	APPROVAL OF PROPOSED ISSUE OF FEE OPTIONS TO RM CORPORATE FINANCE PTY LTD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 5	APPOINTMENT OF NEW DIRECTOR – MR PAUL FROMSON	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 6	ISSUE OF OPTIONS TO PROPOSED DIRECTOR – MR PAUL FROMSON	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proxies given by a natural person must be signed by each appointing shareholder or the shareholder's attorney duly authorised in writing. Proxies given by companies must be executed in accordance with section 127 of the Corporations Act or signed by the appointor's attorney duly authorised in writing.

**THE CHAIRMAN INTENDS TO VOTE ALL UNDIRECTED PROXIES IN FAVOUR OF EACH RESOLUTION EVEN IF THAT RESOLUTION IS CONNECTED DIRECTLY OR INDIRECTLY WITH THE REMUNERATION OF A MEMBER OF KEY MANAGEMENT PERSONNEL.**

