

# **Hazelwood Resources Limited**

ACN 118 738 999

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

Date of General Meeting:	Friday, 31 July 2015
Time of General Meeting:	10.00am WST
Place of General Meeting:	Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Shareholders of Hazelwood Resources Limited will be held at Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Friday, 31 July 2015 at 10.00am WST.

An Explanatory Memorandum containing information in relation to each of the matters to be considered at the meeting accompanies and forms part of this Notice.

### AGENDA

#### 1. RESOLUTION 1 – RATIFICATION OF SHARE PLACEMENT – FEBRUARY 2015

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

*“That for the purpose of ASX Listing Rule 7.4 approval is given for the issue on 13 February 2015 of 7,500,000 Shares on the terms and conditions set out in the Explanatory Memorandum.”*

##### Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any person who participated in the share issue and any associate. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

#### 2. RESOLUTION 2 – RATIFICATION OF SHARE AND OPTION PLACEMENT – MARCH 2015

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

*“That for the purpose of ASX Listing Rule 7.4 approval is given for the issue on 10 March 2015 of 7,000,000 Shares and 7,000,000 attaching Options on the terms and conditions set out in the Explanatory Memorandum”.*

##### Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any person who participated in the share and option issue and any associate. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

### 3. RESOLUTION 3 – RATIFICATION OF OPTION PLACEMENT – MARCH 2015

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

*“That for the purpose of ASX Listing Rule 7.4 approval is given for the issue on 10 March 2015 of 7,500,000 Options on the terms and conditions set out in the Explanatory Memorandum.”*

#### Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any person who participated in the share issue and any associate. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

### 4. RESOLUTION 4 – APPROVAL OF ISSUE OF SHARES AND ATTACHING OPTIONS TO HARTLEYS LIMITED

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

*“That for the purposes of ASX Listing Rule 7.1, approval is given for the Company to issue 4,310,800 Shares and 4,310,800 attaching Options to Hartleys Limited in payment of fees owing to Hartleys Limited in relation to the capital raising undertaken by the Company in January 2015 on the terms and conditions set out in the Explanatory Memorandum.”*

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 the resolution is passed, and any associate of such person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

### 5. RESOLUTION 5 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO LENDERS

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

*“That, for the purpose of ASX Listing Rule 7.1, approval is given for the Company to issue 33 Convertible Notes and 330,000,000 attaching Options on the terms and conditions set out in the Explanatory Memorandum.”*

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 the resolution is passed, and any associate of such person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

## 6. RESOLUTION 6 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO LEAD MANAGERS

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

*“That for the purposes of ASX Listing Rule 7.1, approval is given for the Company to issue 2 Convertible Notes and 20,000,000 attaching Options to the Lead Managers to the capital raising the subject of Resolution 4 on the terms and conditions set out in the Explanatory Memorandum.”*

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 the resolution is passed, and any associate of such person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

## 7. RESOLUTION 7 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO MR MARK WARREN

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

*“That for the purposes of ASX Listing Rule 10.11, approval is given for the Company to issue 1 Convertible Note and 10,000,000 attaching Options to Mr Mark Warren or his nominee in part payment of outstanding fees on the terms and conditions set out in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by Mark Warren, and any associate of Mark Warren. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

## 8. RESOLUTION 8 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO MR JOHN CHEGWIDDEN

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

*“That for the purposes of ASX Listing Rule 10.11, approval is given for the Company to issue 1 Convertible Note and 10,000,000 attaching Options to Mr John Chegwiddden or his nominee in part payment of outstanding fees on the terms and conditions set out in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by John Chegwiddden, and any associate of John Chegwiddden. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

#### **9. RESOLUTION 9 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO MR PATRICK BURKE**

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

*“That for the purposes of ASX Listing Rule 10.11, approval is given for the Company to issue 1 Convertible Note and 5,000,000 attaching Options to Mr Patrick Burke or his nominee in part payment of outstanding fees on the terms and conditions set out in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by Patrick Burke, and any associate of Patrick Burke. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

#### **10. RESOLUTION 10 - APPROVAL OF ISSUE OF SHARES AND ATTACHING OPTIONS TO LEAD MANAGERS**

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

*“That for the purposes of ASX Listing Rule 7.1, approval is given for the Company to issue up to 70,028,200 Shares and 70,028,200 attaching Options to the Lead Managers to the Company’s Entitlement Offer on the terms and conditions set out in the Explanatory Memorandum.”*

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 the resolution is passed, and any associate of such person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

## 11. RESOLUTION 11 - APPROVAL OF ISSUE OF OPTIONS TO LEAD MANAGERS

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

*“That for the purposes of ASX Listing Rule 7.1, approval is given for the Company to issue up to 50,000,000 Options to the Lead Managers to the Company’s Entitlement Offer on the terms and conditions set out in the Explanatory Memorandum.”*

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 the resolution is passed, and any associate of such person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

## 12. RESOLUTION 12 - APPROVAL OF ISSUE OF OPTIONS TO MR TERRY BUTLER-BLAXELL

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

*“That for the purposes of ASX Listing Rule 7.1, approval is given for the Company to issue 15,000,000 Options to Mr Terry Butler-Blaxell pursuant to a Deed of Termination and Release entered into between the Company and Mr Butler-Blaxell on the terms and conditions set out in the Explanatory Memorandum.”*

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 the resolution is passed, and any associate of such person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

## 13. RESOLUTION 13 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO LAWFIRST PTY LTD

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

*“That for the purposes of ASX Listing Rule 7.1, approval is given for the Company to issue 1 Convertible Note and 5,000,000 attaching Options to Lawfirst Pty Ltd trading as Bennett + Co in part payment of outstanding fees on the terms and conditions set out in the Explanatory Memorandum.”*

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 the resolution is passed, and any associate of such person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

#### 14. RESOLUTION 14 - APPROVAL OF ISSUE OF OPTIONS TO MR MARK WARREN

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

*"That for the purposes of ASX Listing Rule 10.11, approval is given for the Company to issue 75,000,000 Options to Mr Mark Warren or his nominee on the terms and conditions set out in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by Mark Warren, and any associate of Mark Warren. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

#### BY ORDER OF THE BOARD



Carol New  
Company Secretary

#### VOTING ENTITLEMENT

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have set a date to determine the identity of those entitled to attend and vote at the General Meeting. For the purposes of determining voting entitlements at the General Meeting, Shares will be taken to be held by the persons who are registered as holding at 10.00am WST on Wednesday, 29 July 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

## PROXY INSTRUCTIONS

Members are advised that:

- each member has a right to appoint a proxy to attend and vote for them;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint either 1 or 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment is for 2 proxies and does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the *Corporations Act*, each proxy may exercise half of the votes.

The member may specify the manner in which the proxy is to vote on each resolution or may allow the proxy to vote at his or her discretion.

In accordance with section 250BA of the *Corporations Act*, the Company specifies that the proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be posted or delivered to the registered office of the Company at Level 1, 33 Ord Street, West Perth, Western Australia 6005 or sent to the registered office by facsimile on (08) 9420 9399 or email to the Company at [info@hazelwood.com.au](mailto:info@hazelwood.com.au).

Those documents must be received by the Company at least 48 hours before the time for holding the General Meeting, or adjourned General Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a body corporate, in a manner permitted by the *Corporations Act*. If the proxy form is sent by email the shareholder's SRN or HIN must also be included. In the case of Shares jointly held by two or more persons, at least one joint holder must sign the proxy form.

A proxy form is enclosed with this Notice.

## DEFINITIONS

For assistance in considering the Notice and accompanying Explanatory Memorandum, the following words are defined here:

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

**Board** means the board of Directors of the Company.

**Chairman** means the chairman of the General Meeting.

**Company** means Hazelwood Resources Limited ACN 118 738 999.

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

**Convertible Note** means a convertible note convertible to Shares on the terms set out in Schedule 2.

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

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

**Entitlement Offer** means the proposed entitlement offer of 9 Shares and 9 attaching Options for every 10 Shares held.

**Explanatory Memorandum** means the explanatory memorandum enclosed with and comprising part of this notice of general meeting.

**General Meeting** means the general meeting of the Company to be held on [insert date].

**Lead Managers** means GMP Securities Australia Pty Limited and Hartleys Limited.

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

**Notice** means this notice of general meeting.

**Option** means an option to subscribe for a Share on the terms set out in Schedule 1.

**Proxy Form** means the proxy form enclosed with the Notice.

**Resolutions** means the resolutions proposed in the Notice.

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

**Shareholder** means a shareholder of the Company.

**Siderian Debt** means all monies owing by the Company to Siderian Resource Capital Limited.

**WST** means Australian Western Standard Time.

**HAZELWOOD RESOURCES LIMITED**  
**ACN 118 738 999**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is intended to provide Shareholders with information to assess the merits of the Resolutions contained in the accompanying Notice.

The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

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**RESOLUTION 1: Ratification of Share Placement – February 2015**

**Background**

As announced to ASX on 13 February 2015, the Company placed 7,500,000 Shares to raise money to repay amounts owing to the Company's trade creditors and for the Company's general working capital expenses.

Resolution 1 seeks Shareholder approval pursuant to ASX Listing Rule 7.4 to ratify the issue of these Shares.

**Reason Approval Required**

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, including securities with rights of conversion to equity, if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides however that an issue under Listing Rule 7.1 is treated as having been made with Shareholder approval if each of the following applies:

- the issue did not breach Listing Rule 7.1; and
- Shareholders subsequently approve it.

This placement of Shares was within the Company's 15% limit and subsequent approval under Listing Rule 7.4 is now being sought in order to reinstate the 15% limit.

**Information Required by Listing Rules**

For the purposes of Listing Rule 7.5, the following information is provided:

- (a) Number of Shares issued – 7,500,000 Shares.
- (b) Issue Price - \$0.015 per Share.
- (c) The Shares rank equally in all respects with the existing Shares on issue.
- (d) The Shares were issued to investors entitled to subscribe for securities pursuant to section 708 of the Corporations Act who were not related parties of the Company.

- (e) The funds raised from the issue of Shares were used to repay amounts owing to the Company's trade creditors and for the Company's general working capital expenses.
- (f) A voting exclusion statement is included in the Notice.

### **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 1 to enable the Company to reinstate its capacity to issue securities up to the 15% limit without Shareholder approval.

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## **RESOLUTION 2: Ratification of Share and Option Placement – March 2015**

### **Background**

As announced to ASX on 10 March 2015 the Company placed 7,000,000 Shares and 7,000,000 attaching Options to raise money to repay amounts owing to the Company's trade creditors and for the Company's general working capital purposes.

Resolution 2 seeks Shareholder approval pursuant to ASX Listing Rule 7.4 to ratify the issue of these Shares and attaching Options.

### **Reason Approval Required**

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, including securities with rights of conversion to equity, if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides however that an issue under Listing Rule 7.1 is treated as having been made with Shareholder approval if each of the following applies:

- the issue did not breach Listing Rule 7.1; and
- Shareholders subsequently approve it.

This placement of Shares was within the Company's 15% limit and subsequent approval under Listing Rule 7.4 is now being sought in order to reinstate the 15% limit.

### **Information Required by Listing Rules**

For the purposes of Listing Rule 7.5, the following information is provided:

- (a) Number of securities issued – 7,000,000 Shares and 7,000,000 Options.
- (b) Issue Price - \$0.015 per Share with no additional consideration for the issue of Options.
- (c) The Shares rank equally in all respects with the existing Shares on issue. The Options were issued on the terms and conditions set out in Schedule 1 to this Explanatory Memorandum.
- (d) The Shares and Options were issued to investors entitled to subscribe for securities pursuant to section 708 of the Corporations Act who were not related parties of the Company.

- (e) The funds raised from the issue of Shares were used to repay amounts owing to the Company's trade creditors and for the Company's general working capital expenses. There were no proceeds from the issue of the Options. If the Options are exercised the proceeds from exercise will be used for general working capital and to progress the Company's projects.
- (f) A voting exclusion statement is included in the Notice.

#### **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 2 to enable the Company to reinstate its capacity to issue securities up to the 15% limit without Shareholder approval.

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### **RESOLUTION 3: - Ratification of Option Placement – March 2015**

#### **Background**

As announced to ASX on 10 March 2015, the Company placed 64,846,667 Options as attaching Options to Share placements conducted in January and February 2015.

Resolution 3 seeks Shareholder approval pursuant to ASX Listing Rule 7.4 to ratify the issue of 7,500,000 Options, being that part of the Option placement made without Shareholder approval pursuant to Listing Rule 7.1.

#### **Reason Approval Required**

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, including securities with rights of conversion to equity, if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides however that an issue under Listing Rule 7.1 is treated as having been made with Shareholder approval if each of the following applies:

- the issue did not breach Listing Rule 7.1; and
- Shareholders subsequently approve it.

This placement of Shares was within the Company's 15% limit and subsequent approval under Listing Rule 7.4 is now being sought in order to reinstate the 15% limit.

#### **Information Required by Listing Rules**

For the purposes of Listing Rule 7.5, the following information is provided:

- (a) Number of Options issued – 7,500,000 Options.
- (b) Issue Price – issued as attaching Options to Share placement conducted in February 2015 for no additional consideration.
- (c) The Options were issued on the terms and conditions set out in Schedule 1 to this Explanatory Memorandum.

- (d) The Options were issued to investors entitled to subscribe for securities pursuant to section 708 of the Corporations Act who were not related parties of the Company.
- (e) No funds were raised from the issue of Options. In the event the Options are exercised the funds raised will be used for general working capital and to progress the Company's projects.
- (f) A voting exclusion statement is included in the Notice.

#### **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 3 to enable the Company to reinstate its capacity to issue securities up to the 15% limit without Shareholder approval.

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### **RESOLUTION 4: Approval of Issue of Shares and attaching Options to Hartleys Limited**

#### **Background**

Pursuant to a mandate entered into by the Company with Hartleys Limited, Hartleys Limited are entitled to a capital raising fee of 6% of the amount raised by the Company pursuant to a capital raising undertaken in January 2015. Hartleys Limited has agreed to be paid their fees (except for the GST component) by way of the issue of Shares and attaching Options on the same terms as investors who participated in that capital raising.

Resolution 4 seeks Shareholder approval in accordance with Listing Rule 7.1 for the issue of 4,310,800 Shares and 4,310,800 attaching Options to Hartleys Limited or their nominee(s) in relation to these fees.

#### **Reason Approval Required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

#### **Information Required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) Maximum number of securities to be issued – 4,310,800 Shares and 4,310,800 attaching Options.
- (b) The Shares and attaching Options will be issued no later than 3 months after approval of the Resolution.
- (c) Issue Price - \$0.015 per Share with no additional consideration for the issue of Options.
- (d) The Shares and attaching Options will be issued to Hartleys Limited or their nominee.
- (e) The Shares will rank equally in all respects with the existing Shares on issue. The Options will be issued on the terms and conditions set out in Schedule 1 of this Explanatory Memorandum.

- (f) The Shares and attaching Options will be issued in payment of fees due to Hartleys Limited in relation to the January 2015 capital raising. Accordingly, no funds will be received by the Company in the event the Shares and attaching Options are issued. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.
- (g) The Shares and attaching Options will be issued on the date the Resolution is approved.
- (h) A voting exclusion statement is included in the Notice.

#### **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 4 to enable the Company to issue Shares and attaching Options to Hartleys Limited in payment of capital raising fees instead of having to pay the fees in cash.

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### **RESOLUTION 5: Approval of Issue of Convertible Notes and attaching Options to Lenders**

#### **Background**

As announced to ASX on 16 June 2015, the Company has raised \$1,650,000 in subordinated second-ranking debt.

Resolution 5 seeks Shareholder approval in accordance with Listing Rule 7.1 for the issue of 33 Convertible Notes and 330,000,000 attaching Options to the parties who have provided the debt. In the event Shareholder approval is not obtained, the lenders have the right to require repayment of their loans subject to the Siderian Debt having first been repaid.

#### **Reason Approval Required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

#### **Information Required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) Maximum number of securities to be issued – 33 Convertible Notes and 330,000,000 attaching Options.
- (b) The Convertible Notes and attaching Options will be issued no later than 3 months after approval of the Resolution or such longer period as approved by ASX by way of a waiver of the Listing Rules.
- (c) The Convertible Notes will be issued for a face value of \$50,000 and will be convertible into Shares at a conversion price of \$0.005 per Share. The Options will be issued as attaching Options for no additional consideration.
- (d) The Convertible Notes and attaching Options will be issued to investors entitled to subscribe for securities pursuant to section 708 of the Corporations Act who have lent money to the Company and are not related parties of the Company.

- (e) The terms and conditions of the Convertible Notes are set out in Schedule 2 to this Explanatory Memorandum. The terms and conditions of the attaching Options are set out in Schedule 1 to this Explanatory Memorandum.
- (f) The proceeds of the debt raised by the Company will be used for working capital. No additional funds will be received by the Company in the event that the Convertible Notes and attaching Options are issued. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.
- (g) The Convertible Notes and attaching Options will be issued on 31 July 2015.
- (h) A voting exclusion statement is included in the Notice.

#### **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 5 to enable the Company to issue Convertible Notes and attaching Options to lenders in circumstances where if Shareholder approval is not obtained the lenders will be entitled to request repayment of their loans subject to the Siderian Debt first being repaid.

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### **RESOLUTION 6 - Approval of Issue of Convertible Notes and attaching Options to Lead Managers**

#### **Background**

As announced to ASX on 5 June 2015, the Lead Managers have been appointed joint lead managers for the capital raising the subject of Resolution 5. Pursuant to the terms of the mandate entered into by the Company with the Lead Managers the Lead Managers are entitled to a management and capital raising fee of 6% of the total amount raised. The Company has agreed for the Lead Managers to be paid part of their fees by way of the issue of Convertible Notes and attaching Options on the same terms as the Convertible Notes and attaching Options offered to the lenders, subject to Shareholder approval.

Resolution 6 seeks Shareholder approval in accordance with Listing Rule 7.1 for the issue of 2 Convertible Notes and 20,000,000 attaching Options to the Lead Managers.

#### **Reason approval required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

#### **Information Required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) Maximum number of securities to be issued – 2 Convertible Notes and 20,000,000 attaching Options.
- (b) The Convertible Notes and attaching Options will be issued no later than 3 months after approval of the Resolution or such longer period as approved by ASX by way of a waiver of the Listing Rules.

- (c) The Convertible Notes will be issued for a face value of \$50,000 which will be convertible into Shares at a conversion price of \$0.005 per Share. The Options will be issued as attaching Options for no additional consideration.
- (d) The Convertible Notes and attaching Options will be issued to the Lead Managers or their nominees.
- (e) The terms and conditions of the Convertible Notes are set out in Schedule 2 to this Explanatory Memorandum. The terms and conditions of the attaching Options are set out in Schedule 1 to this Explanatory Memorandum.
- (f) The Convertible Notes and attaching Options will be issued in partial payment of the fees due to the Lead Managers in relation to the debt raising the subject of Resolution 5. Accordingly, no funds will be received by the Company in the event that the Convertible Notes and attaching Options are issued. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.
- (g) The Convertible Notes and attaching Options will be issued on the date that the Company repays the Siderian Debt, or such earlier date as approved by Siderian.
- (h) A voting exclusion statement is included in the Notice.

#### **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 6 to enable the Company to issue Convertible Notes and attaching Options to the Lead Managers in payment of fees instead of having to pay the fees in cash.

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### **RESOLUTIONS 7-9 - Approval of Issue of Convertible Notes and attaching Options to Directors**

#### **Background**

Each of the Directors of the Company is owed significant fees by the Company for services provided. Each director has agreed to be paid part of their fees by way of the issue of Convertible Notes and attaching Options on the same terms as the Convertible Notes and attaching Options offered to the lenders to the Company, subject to Shareholder approval.

Resolutions 7- 9 seek Shareholder approval in accordance with ASX Listing Rule 10.11 for the issue of 1 \$50,000 face value Convertible Note and 10,000,000 attaching Options to each of Mr Mark Warren and Mr John Chegwiddden and 1 \$25,000 face value Convertible Note and 5,000,000 attaching Options to Mr Patrick Burke in part payment of outstanding fees.

#### **Reason approval required**

Shareholder approval is required under Listing Rule 10.11 because the Directors are related parties of the Company.

If Shareholder approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Shareholder approval is not required under section 208 of the Corporations Act because the proposed issue of Convertible Notes and attaching Options is on the same terms as offered to the lenders to the Company and would therefore be reasonable in the circumstances if the Company and the Directors were dealing at arm's length.

### Information required by Listing Rules

For the purposes of Listing Rule 10.13, the following information is provided:

- (a) It is proposed that Convertible Notes and attaching Options are issued to each of the Company's 3 directors, namely Mr Mark Warren, Mr John Chegwidden and Mr Patrick Burke.
- (b) The number of securities proposed to be issued to each director is 1 Convertible Note and 10,000,000 attaching Options to each of Mr Warren and Mr Chegwidden and 1 Convertible Note and 5,000,000 attaching Options to Mr Burke.
- (c) The Convertible Notes and attaching Options will be issued no later than 1 month after approval of the relevant Resolution or such longer period as approved by ASX by way of a waiver of the Listing Rules.
- (d) The Convertible Notes will be issued for a face value of \$50,000 to Mr Warren and Mr Chegwidden and a face value of \$25,000 to Mr Burke and will be convertible into Shares at a conversion price of \$0.005 per Share. The Options will be issued as attaching Options for no additional consideration. The terms and conditions of the Convertible Notes are set out in Schedule 2 to this Explanatory Memorandum. The terms and conditions of the attaching Options are set out in Schedule 1 to this Explanatory Memorandum.
- (e) A voting exclusion statement is included in the Notice.
- (f) The Convertible Notes and attaching Options will be issued in partial payment of fees due to the Directors. Accordingly, no funds will be received by the Company in the event that the Convertible Notes and attaching Options are issued. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.

### Directors' Recommendation

John Chegwidden and Patrick Burke recommend Shareholders approve Resolution 7 to enable the Company to issue Convertible Notes and attaching Options to Mark Warren in payment of fees instead of having to pay the fees in cash. Mark Warren does not make a recommendation in relation to Resolution 7 as he has an interest in the Resolution.

Mark Warren and Patrick Burke recommend Shareholders approve Resolution 8 to enable the Company to issue Convertible Notes and attaching Options to John Chegwidden in payment of fees instead of having to pay the fees in cash. John Chegwidden does not make a recommendation in relation to Resolution 8 as he has an interest in the Resolution.

Mark Warren and John Chegwidden recommend Shareholders approve Resolution 9 to enable the Company to issue Convertible Notes and attaching Options to Patrick Burke in payment of fees instead of having to pay the fees in cash. Patrick Burke does not make a recommendation in relation to Resolution 9 as he has an interest in the Resolution.

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**RESOLUTION 10 - Approval of Issue of Shares and attaching Options to Lead Managers**
**Background**

As announced to ASX on 5 June 2015, the Lead Managers have been appointed joint lead managers for the proposed Entitlement Offer. Pursuant to the terms of the mandate entered into by the Company with the Lead Managers the Lead Managers are entitled to a management and capital raising fee of 6% of the total amount raised. The Company has agreed to give the Lead Managers the right to be paid part or all of their fees by way of the issue of Shares and attaching Options on the same terms as the Shares and attaching Options to be offered pursuant to the Entitlements Offer.

Resolution 10 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of up to 70,028,200 Shares and 70,028,200 attaching Options to the Lead Managers.

**Reason approval required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

**Information required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) Maximum number of securities to be issued – 70,028,200 Shares and 70,028,200 Options.
- (b) The Shares and attaching Options may be issued no later than 3 months after approval of the Resolution or such longer period as approved by ASX by way of a waiver of the Listing Rules.
- (c) Issue Price – \$0.01 per Share with no additional consideration for the issue of Options.
- (d) The Shares and Options may be issued to the Lead Managers or their nominees, with each Lead Manager entitled to 50%.
- (e) The Shares will rank equally in all respects with the existing Shares on issue. The Options will be issued on the terms and conditions set out in Schedule 1 of this Explanatory Memorandum.
- (f) The Shares and attaching Options may be issued in partial payment of the fees due to the Lead Managers in relation to the Entitlements Offer. Accordingly, no funds will be received by the Company in the event that the Shares and attaching Options are issued. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.
- (g) The Shares and attaching Options will be issued on the date (if any) that the Lead Managers elect to receive the Shares and attaching Options in payment of all or part of their fees.
- (h) A voting exclusion statement is included in the Notice.

## **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 10 to enable the Company to issue Shares and attaching Options to the Lead Managers in payment of capital raising fees instead of having to pay the fees in cash in the event the Lead Managers elect to receive Shares and attaching Options in payment of all or part of their fees.

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## **RESOLUTION 11 - Approval of Issue of Options to Lead Managers**

### **Background**

As announced to ASX on 5 June 2015, the Lead Managers have been appointed joint lead managers to the proposed Entitlement Offer. Pursuant to the terms of the mandate entered into by the Company with the Lead Managers, in the event that no less than \$10,000,000 is raised pursuant to the Entitlements Offer (including any monies raised through the placement of any shortfall) the Lead Managers are entitled to be issued 50,000,000 Options.

Resolution 11 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of up to 50,000,000 Options to the Lead Managers.

### **Reason approval required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

### **Information required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) Maximum number of securities to be issued – 50,000,000 Options.
- (b) The Options will be issued no later than 3 months after approval of the Resolution or such longer period as approved by ASX by way of a waiver of the Listing Rules.
- (c) Issue Price – the Options will be issued for no monetary consideration in the event that no less than \$10,000,000 is raised pursuant to the Entitlements Offer including any money raised through the placement of any shortfall.
- (d) The Options will be issued to the Lead Managers or their nominees.
- (e) The terms and conditions of the Options are set out in Schedule 1 to this Explanatory Memorandum.
- (f) No funds will be raised through the issue of the Options. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.
- (g) The Options will be issued on the date on which the Company has received at least \$10,000,000 pursuant to the Entitlements Offer including any money raised through the placement of any shortfall.
- (h) A voting exclusion statement is included in the Notice.

## **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 11 to enable the Company to satisfy its obligations under the mandate entered into with the Lead Managers to issue options to the Lead Managers in the event that at least \$10,000,000 is raised pursuant to the Entitlements Offer including any money raised through the placement of any shortfall.

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## **RESOLUTION 12 - Approval of Issue of Options to Mr Terry Butler-Blaxell**

### **Background**

Mr Terry Butler-Blaxell is the former Managing Director of the Company who resigned from his position in October 2014 at which time the Company entered into a Deed of Termination and Release with Mr Butler-Blaxell. Pursuant to the Deed of Termination and Release the Company is seeking Shareholder approval for the issue of 15,000,000 Options to Mr Butler-Blaxell.

Resolution 12 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 15,000,000 Options to Mr Butler-Blaxell.

### **Reason approval required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

### **Information required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) Maximum number of securities to be issued – 15,000,000 Options.
- (b) The Options will be issued no later than 3 months after approval of the Resolution or such longer period as approved by ASX by way of a waiver of the Listing Rules.
- (c) Issue Price – the Options will be issued pursuant to the Deed of Termination and Release for no monetary consideration.
- (d) The Options will be issued to Mr Butler-Blaxell or his nominee.
- (e) The terms and conditions of the Options are set out in Schedule 4 to this Explanatory Memorandum.
- (f) No funds will be raised through the issue of the Options. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.
- (g) The Options will be issued on the trading day after the day the Company's shares are reinstated to trading on ASX as the exercise price is determined with reference to the Company's closing price on ASX.
- (h) A voting exclusion statement is included in the Notice.

### **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 12 to enable the Company to comply with its obligations under the Deed of Termination and Release with Mr Butler-Blaxell.

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## **RESOLUTION 13 - Approval of Issue of Convertible Notes and attaching Options to Lawfirst Pty Ltd**

### **Background**

Bennett +Co have acted as lawyers for the Company in relation to the capital raising the subject of Resolution 5. The Company has agreed for Bennett + Co to be paid part of their fees by way of the issue of Convertible Notes and attaching Options on the same terms as the Convertible Notes and attaching Options offered to the lenders, subject to Shareholder approval.

Resolution 13 seeks Shareholder approval in accordance with Listing Rule 7.1 for the issue of 1 Convertible Note and 5,000,000 attaching Options to Bennett +Co.

### **Reason approval required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

### **Information Required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) Maximum number of securities to be issued – 1 Convertible Note and 5,000,000 attaching Options.
- (b) The Convertible Note and attaching Options will be issued no later than 3 months after approval of the Resolution or such longer period as approved by ASX by way of a waiver of the Listing Rules.
- (c) The Convertible Note will be issued for a face value of \$25,000 which will be convertible into Shares at a conversion price of \$0.005 per Share. The Options will be issued as attaching Options for no additional consideration.
- (d) The Convertible Note and attaching Options will be issued to Lawfirst Pty Ltd trading as Bennett + Co or its nominee.
- (e) The terms and conditions of the Convertible Note are set out in Schedule 2 to this Explanatory Memorandum. The terms and conditions of the attaching Options are set out in Schedule 1 to this Explanatory Memorandum.
- (f) The Convertible Note and attaching Options will be issued in part payment of the fees due to Bennett + Co in relation to the debt raising the subject of Resolution 5. Accordingly, no funds will be received by the Company in the event that the Convertible Note and attaching Options are issued. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.
- (g) The Convertible Note and attaching Options will be issued on 31 July 2015.

- (h) A voting exclusion statement is included in the Notice.

### **Directors' Recommendation**

Each of the Directors recommend Shareholders approve Resolution 13 to enable the Company to issue a Convertible Note and attaching Options to Bennett + Co in payment of fees instead of having to pay the fees in cash.

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## **RESOLUTION 14 - Approval of Issue of Options to Mr Mark Warren**

### **Background**

Mr Mark Warren was appointed as Executive Chairman of the Company on 29 October 2014. The Company is proposing to issue Options to Mr Warren both to motivate and retain Mr Warren as Executive Chairman, whilst minimising cash outflows through the payment of executive salaries.

Resolution 14 seeks Shareholder approval pursuant to ASX Listing Rule 10.11 for the issue of 75,000,000 Options to Mr Warren or his nominee.

### **Reason approval required**

Shareholder approval is required under Listing Rule 10.11 because the Directors are related parties of the Company.

If Shareholder approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Shareholder approval is not required under section 208 of the Corporations Act because the proposed issue of Options constitutes remuneration to Mr Warren as an officer and employee of the Company and to give the remuneration would be reasonable given the circumstances of the Company and Mr Warren's circumstances including the responsibilities involved in his office and employment.

### **Information required by Listing Rules**

For the purposes of Listing Rule 10.13, the following information is provided:

- (a) It is proposed to issue Options to Mr Mark Warren, the Company's Executive Chairman, or his nominee.
- (b) The number of securities proposed to be issued is 75,000,000 Options.
- (c) The Options will be issued no later than 1 month after approval of the Resolution or such longer period as approved by ASX by way of a waiver of the Listing Rules.
- (d) The terms and conditions of the Options are set out in Schedule 5 to this Explanatory Memorandum.
- (e) A voting exclusion statement is included in the Notice.
- (f) The Options will be issued as part of Mr Warren's remuneration from the Company. Accordingly, no funds will be received by the Company in the event that the Options are issued. In the event the Options are exercised the funds raised will be used for working capital and to advance the Company's projects.

**Directors' Recommendation**

John Chegwiddden and Patrick Burke recommend Shareholders approve Resolution 14 to enable the Company to provide Mr Warren with an appropriate incentive whilst at the same time minimising the Company's cash outlay by way of salary to Mr Warren. Mark Warren does not make a recommendation in relation to Resolution 14 as he has an interest in the Resolution.

## SCHEDULE 1

### Option Terms and Conditions

The terms and conditions of the Options the subject of Resolutions 2, 3, 4 and 5 are set out below:

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.015 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 9 March 2017 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
- (ii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

(h) **Shares issued on exercise**

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

(i) **Quotation of Shares issued on exercise**

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

(j) **Reconstruction of capital**

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

(k) **Participation in new issues**

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

(l) **Change in exercise price**

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

(m) **Quotation of Options**

If admitted to the official list of ASX at the time, the Company will apply for quotation of the Options on ASX. However, if the criterion for quotation of the Options on ASX is unable to be satisfied, the Options will not be quoted.

(n) **Transferability**

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

## SCHEDULE 2

### Convertible Note Terms

#### 1 THE NOTE ISSUE

##### 1.1 Terms

The Convertible Notes will:

- (a) bear interest at the Interest Rate pursuant to clause 2;
- (b) be convertible into Shares at the Conversion Price pursuant to clause 4; and
- (c) where the whole of the face value has not been converted, be redeemed pursuant to clause 3.

##### 1.2 Withholding Tax

- (a) All payments or credits to, or to the account of the Noteholder (including payment of, and credits in respect of interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Company except to the extent that the Company is satisfied that the Noteholder is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Noteholder claiming any such exemption or to be such a person will provide the Company with such evidence as the Company may from time to time require to satisfy itself as to the validity of such claim.
- (b) The Company may make any deduction or withholding from any amount payable to a Noteholder in respect of Convertible Notes for or on account of withholding or other tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Company to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Noteholder concerned, the full amount payable to such Noteholder will be deemed to have been duly paid and satisfied by the Company.

##### 1.3 Entry in Register

The Company must ensure that the Noteholder's details are entered in the Register.

##### 1.4 Person registered

The person registered as a Noteholder of an amount of Convertible Notes will be treated by the Company as the absolute owner of that number of Convertible Notes. The Company will not, except as ordered by a Court or as required by statute, be obliged to take notice of any claim to a Convertible Note. Entry in the Register of the name and address of a Noteholder and the number of Notes held by that Noteholder is conclusive evidence of title subject to rectification for fraud or error.

##### 1.5 Security

The Convertible Notes will be secured by the Security.

## **2 INTEREST**

### **2.1 Interest Rate**

- (a) Interest will be payable on the Convertible Notes at the Interest Rate.
- (b) Interest will accrue from day to day from the date the Principal is advanced to the Maturity Date and subject to clause 2.2 and 3.2 will be payable in arrears on the Interest Payment Dates.
- (c) In respect of interest payable on the First Interest Payment Date, interest will accrue from the date the Principal is advanced until the First Interest Payment Date and will be payable in arrears for that period.
- (d) Interest payable will be paid no later than 10 Business Days after the relevant Interest Payment Date.
- (e) Subject to compliance with the ASX Listing Rules and the Corporations Act interest will be payable by issue of Shares to the Noteholder at an issue price of 90% of VWAP or if no Shares are traded on ASX over the 30 calendar day period prior to the relevant Interest Payment Date at an issue price the lower of the Conversion Price or 90% of the last price at which Shares traded on ASX.
- (f) In the event that the Company is unable to issue Shares pursuant to clause 2.1(e) by reason of a restriction in the ASX Listing Rules or the Corporations Act interest shall be payable in cash subject to the holder of the Priority Encumbrance having been repaid in full.

### **2.2 Payment following Conversion**

If a Convertible Note is converted into Shares all interest that has accrued since the last Interest Payment Date shall be payable by issue of Shares to the Noteholder at the Conversion Price.

## **3 REDEMPTION**

### **3.1 Redemption**

A Convertible Note will be redeemed on the first to occur of the following:

- (a) if the Noteholder has not converted the Convertible Note prior to the Maturity Date, the Maturity Date;
- (b) at the election of the Company under clause 5(f);
- (c) on the receipt by the Company of a Redemption Notice as a result of the exercise by the Noteholder of its rights under clause 10.2(a); or
- (d) at the election of the Company by written notice to each Noteholder, provided that the Noteholder may elect within 5 Business Days after the notice is sent to Noteholders to convert all of the Convertible Notes held by that Noteholder to Shares in accordance with clause 4.1(a).

### **3.2 Timing of redemption**

In the event of redemption other than on the Maturity Date a Convertible Note will be redeemed:

- (a) in the event of the occurrence of an event in accordance with clause 3.1(c), within 10 Business Days after the Company receives a Redemption Notice from the Noteholder;
- (b) in the event of a takeover in accordance with clause 5(a), within 10 Business Days after the later of the close of the takeover offer and the date that the Company's shareholders receive their consideration under the takeover bid;
- (c) in the event of a change of control in accordance with clause 5(b), within 10 Business Days after the transfer or issue of shares to the new controlling shareholder;
- (d) in the event of a sale of the main undertaking of the Company in accordance with clause 5(c), within 10 Business Days after completion of the sale of the main undertaking; or
- (e) in the event the Company elects to redeem the Convertible Note in accordance with clause 3.1(d), within 10 Business Days after the Company sends notice of redemption to the Noteholder,

and the Company will pay to the Noteholder the Principal plus the amount of any accrued interest.

### **3.3 Redemption of the Convertible Note**

The Noteholder will only be entitled to issue a Redemption Notice pursuant to an exercise of its rights under clause 10.2(a) in respect of all of the Convertible Notes held by the Noteholder.

### **3.4 Exclusion**

The Noteholder will not be entitled to require redemption of any Convertible Notes held by it otherwise than in accordance with this clause 3.

### **3.5 Subordination**

Notwithstanding any other provision of the Conditions, the Noteholder's right to receive any payment in the event of redemption is subordinated to the rights of the holder of the Priority Encumbrance to be repaid in full in accordance with the Subordination Provisions.

## **4 CONVERSION**

### **4.1 Conversion**

- (a) A Noteholder will be entitled to convert each Convertible Note held by that Noteholder in accordance with this clause 4.1 by delivering a Conversion Notice to the Company at any time during the Conversion Period.
- (b) Within 10 Business Days of receipt of the Conversion Notice, the Company will proceed to issue to the Noteholder that number of Shares as calculated in accordance with clause 4.2.

- (c) The issue of Shares on conversion pursuant to this clause will be and be deemed for all purposes to be in full satisfaction and discharge of the Principal owing to the Noteholder pursuant to the Convertible Notes the subject of the Conversion Notice but the conversion pursuant to this clause will in no way affect any liability of the Company for unpaid interest accrued up to the Date of Conversion.
- (d) The Shares issued upon conversion pursuant to this clause will rank equally in all respects with all issued ordinary shares in the capital of the Company at the Date of Conversion.
- (e) The Company will make application for Official Quotation of all Shares issued upon conversion pursuant to this clause. Such application will be made as soon as reasonably practicable after Shares are issued.
- (f) Within 10 Business Days of the issue of Shares to a Noteholder upon conversion pursuant to this clause, the Company will deliver to the Noteholder a holding statement in respect of the Shares so issued.
- (g) If only a portion of the Convertible Notes held by the Noteholder are converted, the Company will, within 10 Business Days of the issue of Shares to a Noteholder upon conversion pursuant to this clause, deliver to the Noteholder a new Note Certificate detailing the reduced number of Convertible Notes held by the Noteholder.

#### **4.2 Conversion Rate**

Subject to clause 6.1, the number of Shares to which a Noteholder will be entitled on exercise of the Conversion Option will be determined in accordance with the following formula:

$$N = \frac{B}{CP}$$

Where:

**N** = the number of Shares to be issued to the Noteholder pursuant to clause 4.1;

**B** = the aggregate face value of the Convertible Notes which are the subject of the Conversion Notice; and

**CP** = the Conversion Price.

PROVIDED THAT if upon application of the formula it would include a fractional part of a share then that fractional part will be rounded up to the nearest whole share.

#### **4.3 No other rights of conversion**

A Convertible Note will only be convertible to Shares as set out in this clause 4.

## **5 TAKEOVER, CHANGE IN CONTROL, OR SALE OF MAIN UNDERTAKING**

If:

- (a) a takeover bid (as defined in the Corporations Act) is made for 50% or more of the Shares and that bidder is successful in acquiring a relevant interest in 50% or more of the Shares; or
- (b) there is a change in control of the Company such that any person acquires a relevant interest in 50% or more of the Shares; or
- (c) there is a sale of the main undertaking of the Company that would require approval of the ordinary shareholders of the Company in accordance with ASX Listing Rule 11.2,

then:

- (d) the Company will give to each Noteholder written notice of the takeover bid, change of control, or sale of main business undertaking within 5 Business Days of receiving notice of it; and
- (e) the Noteholder may elect within 5 Business Days after the notice is sent to Noteholders to convert all the Convertible Notes held by that Noteholder to Shares in accordance with clause 4.1(a).
- (f) If no election is made under clause 5(e) within the time period specified in that clause, then the Company may redeem all the Convertible Notes held by that Noteholder in accordance with clause 3.

## **6 RECONSTRUCTION, BONUS ISSUES AND PRO RATA ISSUES**

### **6.1 Reconstruction**

- (a) If there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Company, the basis for conversion of the Convertible Notes will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Noteholder which are not conferred on the shareholders of the Company, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Convertible Notes will remain unchanged.
- (b) The adjustments in this clause 6.1 will, subject to the ASX Listing Rules, be determined by the Company.

### **6.2 Bonus Share allotment**

If a bonus share allotment is made by the Company to its ordinary shareholders, at any time during the period subsequent to the issue of a Convertible Note to a Noteholder and prior to conversion, and if the Noteholder issues a Conversion Notice the Company will issue and allot to that Noteholder:

- (a) shares in the capital of the Company of the same class as the shares the subject of the bonus share allotment; and
- (b) the number of shares so issued will be equal to the number of shares in the capital of the Company to which that Noteholder would have been entitled, if the face value of the Convertible Notes held by that Noteholder in respect of which the Conversion Notice is issued, had been converted immediately prior to the making of the bonus share allotment,

on terms and conditions that are the same as or correspond with or are no more favourable to the Noteholder than the terms and conditions on which such shares are allotted to any ordinary shareholder of the Company.

### **6.3 Pro Rata Issue**

If a Pro Rata Issue is made by the Company to its ordinary shareholders, at any time during the period subsequent to the issue of a Convertible Note to a Noteholder and prior to conversion, the Noteholder shall be entitled to participate in the Pro Rata Issue for the number of shares or other securities to which that Noteholder would have been entitled, if the face value of the Convertible Notes held by that Noteholder had been converted immediately prior to the Record Date, on terms and conditions that are the same as or correspond with or are no more favourable to the Noteholder than the terms and conditions on which such shares or other securities are offered to any ordinary shareholder of the Company.

## **7 FOREIGN HOLDERS**

Where Convertible Notes are held by or on behalf of a person resident outside Australia, then, but despite any other terms or conditions applicable to such Convertible Notes, it will be a condition precedent to the right of the Noteholder to receive payment of any amount payable under the Conditions or to obtain Shares on conversion that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Noteholder in respect of such payment or conversion are satisfied so that such payment or conversion will not result in a breach of any such applicable law by the Company.

## **8 CONVERSION TO VOTING SHARES PRECLUDED**

### **8.1 Breaches of law**

Notwithstanding any other term of these Conditions, a Noteholder is not entitled to convert (and the Company is entitled to refuse to convert) such number of Convertible Notes that would result in:

- (a) a person acquiring Voting Shares in the Company in breach of section 606 of the Corporations Act (or any equivalent provision); or
- (b) a person acquiring Shares where a notification or consent is required under any legislation by which the Company and its Related Bodies Corporate are bound that has not been sent or obtained.

## **8.2 Statutory Declaration**

The Company may in its discretion require a Noteholder to provide a statutory declaration confirming that the circumstances referred to in clause 8.1 do not exist in respect of any conversion by that Noteholder.

## **9 REGISTRATION OF TRANSFERS**

### **9.1 Transfer**

The Noteholder may transfer all or any of the Convertible Notes that it holds by an instrument in writing in the form set out in Schedule 2 or in any other form that the directors of the Company approve.

### **9.2 Transfer form**

In relation to all transfers of Convertible Notes the transfer form must be:

- (a) lodged at the Specified Office together with payment of any duty, taxes or other governmental charges payable thereon; and
- (b) accompanied by such evidence as the Company may require to prove the title and identity of the transferor and the transferee, the right of entitlement of the transferee to receive a transfer of the relevant Convertible Note, the due execution of the transfer form and the due compliance and observance with all applicable laws and regulations of the Commonwealth of Australia and each State and Territory thereof.

### **9.3 Recording transfers**

The Company will promptly upon being satisfied with the transfer form, the information lodged therewith, the identity of the transferor and the transferee and the due compliance with such reasonable regulations as the Company may determine from time to time, accept the application contained in the transfer form by making an inscription in the Register recording the transfer of the relevant Convertible Note.

### **9.4 Registration**

On the inscription being made in the Register, the Company will recognise the transferee as the registered owner of the relevant Convertible Note and as being entitled to the repayment of the Principal and the payment of all interest in respect thereof and to all other rights vested in Noteholder under these Conditions. The transferor will for all purposes be and be deemed to be the registered owner of the relevant Convertible Note until an inscription is made in the Register recording the transfer, the name and address of the transferee and the other matters required to be entered into the Register by the Company from time to time.

### **9.5 Administration**

- (a) The Company will procure that all transfer forms which are registered will be retained by the Company for a period of 7 years after receipt but any transfer form which the Company declines to register will (except in the case of fraud or suspected fraud) be returned on demand to the person depositing the same.

- (b) The Company will not register the transfer of a Convertible Note on or after the Maturity Date.

## **9.6 Directions**

- (a) Subject to these Conditions, and any conditions proposed by the Company at the time the Convertible Notes are issued and any notations on the Register, the Company will comply with any payment or distribution direction made by a transferee:
  - (i) in an application for transfer of Convertible Notes on and from the time of registration of that transfer; and
  - (ii) at any subsequent time in such form as the Company will from time to time determine.
- (b) A direction from any one or more joint holders of a Convertible Note will bind all the joint holders. If more than one direction is received from joint holders of a Convertible Note the direction of the senior is to be accepted to the exclusion of the other directions and for this purpose seniority is determined by the order in which the names appear in the Register of Noteholders in respect of the joint holding.

## **9.7 Transmission**

A person becoming entitled to Convertible Notes as a consequence of the death or bankruptcy of a Noteholder or of a vesting order or a person administering the estate of a Noteholder may, upon producing such evidence as to that entitlement or status as the Company consider sufficient, transfer the Convertible Notes of that Noteholder or, if so entitled, become registered as the holder of the Convertible Notes.

## **9.8 No Registration Fee**

Transfers will be inscribed in the Register without charge provided taxes or other governmental charges (if any) imposed in relation to the transfer have been paid.

# **10 EVENTS OF DEFAULT**

## **10.1 Events**

Each of the following events is an Event of Default:

- (a) if the Company makes default in the payment of any outstanding moneys in respect of the Convertible Notes and that default continues unremedied by the Company for a period of 21 days after demand for those moneys is made by the Noteholder;
- (b) if the Company commits a material breach of a covenant, condition or obligation imposed on it by the Conditions and that breach has not been remedied within 21 days of receiving notice of the breach from the Noteholder requiring that breach to be remedied;
- (c) the holder of the Priority Encumbrance takes any steps to enforce its security in relation to the Company or any of its subsidiaries or assets.

## 10.2 Action upon an Event of Default

Where an Event of Default has occurred, the Noteholder will only become entitled to take the following action if the Event of Default occurred after Siderian is repaid in full or otherwise with the prior written consent of Siderian (in its absolute discretion):

- (a) to issue a Redemption Notice to the Company and redeem the Convertible Notes;
- (b) to commence proceedings for the winding up of the Company or take such other action relating to enforcement of payment of outstanding moneys to the Noteholder; and
- (c) to prove in any Liquidation of the Company (irrespective of when that Liquidation is commenced).

## 11 DEFINITIONS AND INTERPRETATION

### 11.1 Definitions

**ASX** means ASX Limited.

**ASX Listing Rules** means the Official ASX Listing Rules of ASX from time to time with any modification or waivers in their application to the Company which ASX may grant.

**Business Day** means a day on which banks are open for general banking business in Perth, other than a Saturday or a Sunday or public holiday and which is also a Business Day for the purposes of the ASX Listing Rules.

**Company** means Hazelwood Resources Limited, ACN 118 738 999.

**Conditions** means these terms and conditions applicable to Convertible Notes.

**Conversion Notice** means the notice in substantially the same form as Schedule 1 which may be given by the Noteholder to the Company pursuant to clause 4.1.

**Convertible Note** means a convertible note issued by the Company in accordance with these Conditions which is outstanding.

**Conversion Period** means the period commencing on the date the Company's shareholders approve the issue of the Convertible Notes and ending on the day prior to the Maturity Date.

**Conversion Price** means \$0.005 per Share.

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

**Date of Conversion** means the date on which Shares are issued to the Noteholder in accordance with clause 4.1(c) consequent upon the issue of a Conversion Notice.

**Event of Default** means each of the events set out in clause 10.1.

**First Interest Payment Date** means 31 December 2015.

**Interest Payment Date** means 30 June and 31 December in each year commencing on the First Interest Payment Date, and the Maturity Date.

**Interest Rate** means 12% per annum.

**Liquidation** includes winding up, dissolution, deregistration, administration, amalgamation, receivership, reconstruction, assignment for the benefit of creditors, arrangement or compromise with creditors or bankruptcy.

**Maturity Date** means 1 July 2018.

**Noteholder** means the holder of the Convertible Notes.

**Official Quotation** means official quotation by ASX.

**Principal** means the face value of the Convertible Notes.

**Priority Encumbrance** means all encumbrances granted by the Company and its subsidiaries in favour of Siderian on or before the date the Principal is advanced.

**Pro Rata Issue** has the meaning given to it in the ASX Listing Rules.

**Record Date** has the meaning given to it in the ASX Listing Rules.

**Redemption Notice** means a notice in writing which may be given by the Noteholder in accordance with clause 3.1.

**Register** means a register of holders of Convertible Notes established and maintained under clause 1.3.

**Related Body Corporate** has the meaning given to it in the Corporations Act.

**Security** means a general security deed ranking behind and subordinated to the Priority Encumbrance over the assets and undertakings of the Company securing the repayment of the Principal and any other monies that may become payable to the Noteholder in relation to the Convertible Notes or as a consequence of enforcement of the Noteholder's rights pursuant to these Conditions.

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

**Siderian** means Siderian Resource Capital Limited, CR No. 1986529.

**Specified Office** means the registered office of the Company or such other office advised by the Company to the Noteholder from time to time.

**Subordination Provisions** means the terms of the subordination of the Noteholder, in right of priority of payment and security, behind the rights of Siderian, as set out in Schedule 3.

**Voting Share** has the meaning given to it in section 9 of the Corporations Act.

**VWAP** means the volume weighted average price of Shares traded on ASX over the 30 calendar day period prior to the relevant Interest Payment Date.

## 11.2 Interpretation

In these Conditions unless the context otherwise requires:

- (a) headings are for convenience only and do not affect its interpretation;

- (b) an obligation or liability assumed by, or a right conferred on, 2 or more Parties binds or benefits all of them jointly and each of them severally;
- (c) the expression person includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;
- (e) a reference to any document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (h) reference to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Deed and a reference to this Deed includes any schedule, exhibit or annexure to this Deed;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning; and
- (j) a reference to \$ or dollar is to Australian currency.

## SCHEDULE 3

### Subordination Provisions

#### **1 Subordination**

##### **1.1 Debt subordinated**

During the Subordination Period the Noteholder Debt and all related rights, claims and payments are subordinated and postponed to, and rank in priority after, the Siderian Debt and all related rights, claims and payments, on the terms of the Subordination Provisions.

##### **1.2 Subordinated Debt not payable**

Despite any Noteholder Document, during the Subordination Period, none of the Noteholder Debt is payable or repayable.

##### **1.3 Continuing subordination**

The Subordination applies to the present and future balances of the Siderian Debt and the Noteholder Debt. It is irrevocable and a continuing subordination until the Subordination Period ends.

##### **1.4 Co-operation**

The Noteholder (at its own cost) undertakes to Siderian to do everything necessary for the effective implementation of the Subordination Provisions.

##### **1.5 Noteholder waiver**

The Noteholder waives all rights inconsistent with the Subordination Provisions, including any rights as to contribution, marshalling, consolidation or subrogation which the Noteholder may otherwise be entitled to claim or enforce during the Subordination Period.

##### **1.6 Inconsistent action**

During the Subordination Period, the Noteholder and the Company agree with Siderian that they will not enter into any arrangement which is inconsistent with the Subordination.

#### **2 Subordination unconditional**

##### **2.1 Nothing to affect Subordination**

Neither the Subordination nor the Noteholder's liability under the Subordination Provisions is adversely affected by anything (whether or not the Company or a Creditor is, or should have been, aware of it or consents to it and despite any legal rule to the contrary) which would otherwise prejudice the Subordination or reduce or discharge the liability of the Company or the Noteholder, including:

- (a) any time, indulgence, waiver or consent at any time given to any other person, including the Company or a Collateral Party;

- (b) a Creditor increasing the amount of, opening further accounts in relation to or otherwise varying the type or terms of, financial accommodation provided to the Company or any other person;
- (c) an Insolvency Event in relation to the Company, a Collateral Party or any other person;
- (d) an obligation of the Company or a Collateral Party or a provision of a Noteholder Document or a Siderian Document being void, voidable, unenforceable, defective, released, waived, impaired, novated, enforced or impossible or illegal to perform;
- (e) the whole or partial discharge or release of, or the granting of, an Encumbrance or Surety Arrangement in relation to a Creditor;
- (f) Siderian taking or failing to take an Encumbrance or Surety Arrangement in relation to the Siderian Debt;
- (g) a Creditor exercising or not exercising its rights (including any right to elect to terminate a contract) under any document or at law against the Company, a Collateral Party or any other person; or
- (h) an amalgamation, change in status, constitution or control, reconstruction or reorganisation of another person, including the Company or a Collateral Party.

Siderian may act freely in its own interests in relation to the recovery of the Siderian Debt, without having regard to the interests of the Noteholder and without liability to the Noteholder.

## **2.2 Amounts held on trust**

If the Noteholder receives or recovers or is credited with (including by way of set-off) any amount during the Subordination Period in the Liquidation of the Company in relation to the Noteholder Debt or in breach of the Noteholder's obligations in the Subordination Provisions, the Noteholder will hold that amount on trust for Siderian and will deposit that amount into a separate account designated for that purpose.

## **2.3 Noteholder to pay over**

If, other than as contemplated by clause 2.2, the Noteholder receives or recovers an amount (whether money or other property) including by set-off, deduction, combination of accounts or similar right or procedure at law or otherwise, the Noteholder must immediately pay to Siderian an amount equal to the lesser of that amount and the Siderian Debt outstanding at the time.

## **2.4 Insolvency Event**

If an Insolvency Event occurs in relation to the Company, the Noteholder:

- (a) for valuable consideration authorises Siderian to exercise any one or more of the Noteholder's Insolvency Rights in the Noteholder's name and on its behalf, and the Noteholder must (at its own cost) do all things necessary to enable Siderian to exercise those rights, including by providing on demand all proxy and other documents which Siderian considers necessary or desirable for that purpose;

- (b) must not exercise any Noteholder's Insolvency Rights unless requested to do so by Siderian; and
- (c) on request by Siderian, must (at its own cost) exercise any one or more of the Noteholder's Insolvency Rights as Siderian sees fit.

### **3 Covenants and Indemnity**

#### **3.1 Restrictive Covenants**

During the Subordination Period the Noteholder must not do any of the following:

- (a) demand or accept payment, repayment, satisfaction, discharge or extinguishment of any Noteholder Debt;
- (b) charge (or receive payment of) any amount in relation to interest under the Noteholder Debt;
- (c) sue for or take other action to recover or accelerate payment of any Noteholder Debt;
- (d) take or be a party to any proceeding or action which might reasonably be expected to result in an Insolvency Event of the Company;
- (e) exercise a right of set-off, deduction or combination of accounts in relation to any Noteholder Debt against any money payable by the Noteholder to the Company;
- (f) novate, vary, change, assign, waive, release or replace its or the Company's rights or obligations in relation to any Noteholder Debt, or vary, terminate or rescind any Noteholder Document;
- (g) allow to exist or accept the benefit of a Surety Arrangement or Encumbrance from or on behalf of the Company to secure payment of any Noteholder Debt, other than the Security;
- (h) take any action to enable it or any other party to obtain "possession" or "control" (as those terms are defined under the Personal Property Securities Act 2009 (Cth)) of any property secured by the Security, including exercising any of its rights under clause 3.2 of the Security;
- (i) raise financial accommodation from, or otherwise create or increase indebtedness to, a person who holds shares in the Company or is a director of the Company;
- (j) vote in, requisition or convene a meeting to consider a resolution for, or apply to the court for, the Liquidation of the Company;
- (k) exercise any legal right or claim to be entitled to the benefit of any of Siderian's rights (including the benefit of any Encumbrance); or
- (l) take any steps to enforce a right or claim against the Company in relation to any payment to or benefit received by Siderian under the Subordination Provisions.

### **3.2 Capital of company**

During the Subordination Period, the Noteholder agrees with Siderian that any shares issued in the Company held by the Noteholder or its related entity (as that term is used in the Corporations Act) are fully paid and, as a separate and independent obligation, indemnifies Siderian for any loss it may suffer as a result of a breach of this provision.

## **4 Payment**

### **4.1 Manner of payment**

All payments by the Noteholder under the Subordination Provisions must be made in immediately available funds, in Australian dollars and in full without set-off, counterclaim or, unless prohibited by law, deduction or withholding. If the Noteholder is compelled by law to deduct or withhold any taxes, the Noteholder must pay to Siderian a further sum so that Siderian receives the full amount payable (calculated on a net basis as if that deduction or withholding had not been made).

### **4.2 Siderian may assign**

- (a) Siderian may assign or transfer all or any of its rights or obligations under the Subordination Provisions to any party to whom it transfers or assigns any of its rights, benefits or obligations in relation to the Siderian Debt. It does not need the consent of the Noteholder or the Company to do so and it may disclose to a potential assignee or transferee any information provided to it by the Company, a Collateral Party or the Noteholder.
- (b) If Siderian assigns or transfers all or any of its rights or obligations under the Subordination Provisions then, on request by Siderian, the Company and the Noteholder will enter into a deed to give effect to such assignment or transfer.

### **4.3 Reinstating avoided transaction**

If a payment or other transaction relating to the Siderian Debt or the Subordination is void, voidable, unenforceable or defective for any reason or a related claim is upheld, conceded or settled (each an Avoidance), then even though any party knew or should have known of the Avoidance:

- (a) the liability of the Noteholder and the powers of each Creditor will be what it would have been, and will continue, as if the payment or transaction had not occurred; and
- (b) the Noteholder and the Company (at their own cost) will immediately execute and do anything required by Siderian to restore the parties to the position they were in immediately before the Avoidance (including reinstating the Subordination Provisions).

This provision survives any termination or full or partial discharge or release of any Siderian Document.

### **4.4 Exclusion of legislation, to the extent permitted by law**

To the extent permitted by law:

- (a) a provision of legislation which directly or indirectly lessens the obligations of the Noteholder under the Subordination Provisions is excluded;
- (b) a provision of legislation which directly or indirectly affects Siderian's exercise of a power is excluded; and
- (c) relief and protection conferred on the Noteholder under any legislation referred to in paragraphs (a) or (b) above is excluded.

#### **4.5 Severance**

If any Subordination Provision is invalid, illegal or unenforceable, then to the extent of the invalidity, illegality or unenforceability, that provision must be severed and ignored. The remaining Subordination Provisions remain in full force and effect.

### **5 Definitions and interpretation**

#### **5.1 Definitions**

Terms defined in the conditions for the Convertible Notes to which these subordination provisions are scheduled have the same meaning when used in these subordination provisions. In addition, the following definitions apply:

**Collateral Party** means (where relevant) any entity other than the Company which provides a Surety Arrangement or any Encumbrance in favour of a Creditor.

**Creditor** means Siderian or the Noteholder.

**Encumbrance** means:

- (a) a Security Interest; and
- (b) any other security for payment of money, performance of obligations or protection against default (including a mortgage, bill of sale, charge, lien, pledge, trust, power or title retention arrangement, right of set-off, assignment of income, garnishee order or monetary claim and a flawed deposit arrangement).

**Insolvency Event** means, in relation to a person, any one or more of the following:

- (a) a receiver, receiver and manager, administrator, liquidator, provisional liquidator, or similar officer is appointed to the person or any of its assets;
- (b) an application is made to a court for an order to appoint a person described in (a) above and that application is not permanently stayed, withdrawn or dismissed within 14 days;
- (c) the person enters into, or resolves to enter into, a deed of company arrangement, scheme of arrangement, compromise or composition with any class of creditors;
- (d) a resolution is passed or an application to a court is taken or an order is made for the Liquidation of the person;
- (e) the person ceases to (or is unable to) pay its creditors (or any class of them) in the ordinary course of business, or announces its intention not to pay its creditors;

- (f) the person is (or states that it is) insolvent or is deemed to be insolvent under the Corporations Act;
- (g) the making by the person of an assignment or attempted assignment for the benefit of its creditors;
- (h) any enforcement process (as that term is defined under the Corporations Act) is taken against or in relation to a substantial portion of the assets of that person and is not satisfied or withdrawn within 21 days; or
- (i) anything having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction.

**Noteholder Debt** means all money and amounts (in any currency) that the Company is or may become liable at any time (presently, prospectively or contingently, whether alone or not and in any capacity) to pay to or for the account of the Noteholder (whether alone or not and in any capacity) under or in relation to a Noteholder Document. It includes money and amounts which a person would be liable to pay but for an Insolvency Event in relation to that person.

**Noteholder Document** means:

- (a) Convertible Notes;
- (b) the deed of issue of the Convertible Notes attaching the conditions for the Convertible Notes to which these subordination provisions are scheduled; and
- (c) the Security.

**Noteholder's Insolvency Rights** means the Noteholder's rights, powers and entitlement to do any of the following if an Insolvency Event occurs in relation to the Company:

- (a) be represented and vote in relation to the Noteholder Debt at any meeting of creditors of the Company;
- (b) accelerate or demand payment of the Noteholder Debt;
- (c) claim, enforce and prove for the Noteholder Debt;
- (d) file claims and proofs, give receipts, take proceedings and do all other things to recover the Noteholder Debt;
- (e) direct any person distributing the assets of the Company or their proceeds in relation to the Noteholder Debt;
- (f) receive all distributions on or in respect of the Noteholder Debt; and
- (g) hold or deal with any receipt in relation to the Noteholder Debt.

**Security Interest** has the meaning given to that term under the Personal Property Securities Act 2009 (Cth).

**Siderian Document** means each of the following:

- (a) the Subordination Provisions;

- (b) the loan agreement between the Company as the borrower and Siderian as the lender, dated 8 May 2014;
- (c) the general security deed between the Company as the grantor and Siderian as the secured party, dated 8 May 2014;
- (d) the fixed and floating charge between Asia Tungsten Products Co. Limited as the chargor, Siderian as the chargee and the Company as the covenantor, dated 31 March 2015;
- (e) the guarantee given by Asia Tungsten Products Co. Limited as the guarantor in favour of Siderian as the creditor, dated 10 May 2014; and
- (f) each present or future Encumbrance, Surety Arrangement or other document or agreement created or entered into as security (directly or indirectly) from time to time for the payment of the Siderian Debt.

**Siderian Debt** means all money and amounts (in any currency) that the Company or a Collateral Party is or may become liable at any time (presently, prospectively or contingently, whether alone or not and in any capacity) to pay to or for the account of the Siderian (whether alone or not and in any capacity) under or in relation to a Siderian Document. It includes money and amounts which a person would be liable to pay but for an Insolvency Event in relation to that person.

**Subordination** means the debt subordination effected under the Subordination Provisions.

**Subordination Period** means the period from the date of execution of the Noteholder Documents until the Siderian Debt has been paid in full and Siderian is satisfied that no Siderian Debt will come into existence.

**Surety Arrangement** means a guarantee, suretyship, letter of credit, letter of comfort or another obligation (whatever called and of whatever nature) to be or become responsible for any debt, monetary liability or obligation of another person or the assumption of a responsibility or obligation in relation to the insolvency or the financial condition of another person.

## 5.2 Multiple Parties

If the Noteholder comprises two or more persons:

- (a) a reference to the Noteholder in the Subordination Provisions includes each of them and any two or more of them; and
- (b) the subordination Provisions bind each of them severally and any two or more of them jointly.

## 5.3 Interpretation

The interpretation provisions set out in the conditions for the Convertible Notes to which these subordination provisions are scheduled are hereby repeated.

## SCHEDULE 4

### Option Terms and Conditions

The terms and conditions of the Options the subject of Resolution 12 are set out below:

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be 145% of the closing price of Shares on ASX on the trading day before the date the Options are issued (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is 3 years after the date the Options are issued (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
- (ii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

(h) **Shares issued on exercise**

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

(i) **Quotation of Shares issued on exercise**

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

(j) **Reconstruction of capital**

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

(k) **Participation in new issues**

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

(l) **Change in exercise price**

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

(m) **Transferability**

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

## SCHEDULE 5

### Option Terms and Conditions

The terms and conditions of the Options the subject of Resolution 14 are set out below:

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.015 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is 4 years after the date the Options are issued (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time between the date that is 1 year after the date the Options are issued and the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
- (ii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

(h) **Shares issued on exercise**

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

(i) **Quotation of Shares issued on exercise**

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

(j) **Reconstruction of capital**

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

(k) **Participation in new issues**

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

(l) **Change in exercise price**

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

(m) **Vesting**

The Options will be cancelled in the event that at any time before the date that is 1 year after the date the Options are issued (**Vesting Date**) Mr Warren resigns as a director of the Company or ceases to provide services to the Company due to termination of the consultancy agreement pursuant to which Mr Warren's services are provided either at the election of the consultant for any reason or at the election of the Company pursuant to a right of termination for breach of contract by the consultant.

(n) **Takeover Bid**

In the event of a takeover bid or any other event that the Company determines may lead to a change of control of the Company the Company may at its discretion determine that the Options may be exercised or transferred notwithstanding that the change of control occurs prior to the Vesting Date.

(o) **Transferability**

The Options are transferable at any time after the Vesting Date with the consent of the Company subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

# HAZELWOOD RESOURCES LIMITED

ACN 118 738 999

## PROXY FORM

Name:

Address:

SRN / HIN:

### Appointment of a proxy

I/We being a member(s) of Hazelwood Resources Limited hereby appoint:

(Write here the name of the person you are appointing)

or failing the person named, or if no person is named, the Chairman as my/our proxy and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Hazelwood Resources Limited to be held at Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Friday, 31 June 2015 at 10.00am WST and at any adjournment of that meeting.

### Votes on items of business

(Voting directions to your proxy – please mark **X** to indicate your directions)

		FOR	AGAINST	ABSTAIN*
Item 1	- Ratification of Share Placement – February 2015	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	- Ratification of Share and Option Placement – March 2015	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	- Ratification of Option Placement – March 2015	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	- Approval of Issue of Shares and Attaching Options to Hartleys Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	- Approval of issue of Convertible Notes and attaching Options to Lenders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	- Approval of issue of Convertible Notes and attaching Options to Lead Managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7	- Approval of issue of Convertible Notes and attaching Options to Mark Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8	- Approval of issue of Convertible Notes and attaching Options to John Chegwiddden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 9	- Approval of issue of Convertible Notes and attaching Options to Patrick Burke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 10	- Approval of issue of Shares and attaching Options to Lead Managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 11	- Approval of issue of Options to Lead Managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 12	- Approval of issue of Options to Terry Butler-Blaxell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 13	- Approval of issue of Convertible Note and attaching Options to Lawfirst Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 14	- Approval of issue of Options to Mr Mark Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item.

### Appointment of a second proxy

I/We wish to appoint a second proxy

☐ mark with an "X" if you wish to appoint a second proxy AND  % OR  State the percentage of your voting rights or the number of shares for this Proxy Form

### Authorised signature(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

INDIVIDUAL/SECURITY HOLDER 1  
Individual/Sole Director and Sole  
Company Secretary

SECURITY HOLDER 2  
Director

SECURITY HOLDER 3  
Director/Company Secretary

### Contact details

Contact Email address

111732 (495011)

Contact Telephone Number

( )

## Voting By Proxy - How to complete the Proxy Form

### Your Name, Address and Shareholder Details

Please complete your name and address as it appears on the share register of Hazelwood Resources Limited. If you are returning the proxy form by email your SRN or HIN must also be included.

### Appointment of a Proxy

Please write the name of that person you wish to appoint as proxy in the space indicated. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman will be your proxy and vote on your behalf. A proxy need not be a shareholder of Hazelwood Resources Limited.

### Votes on Items of Business

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

### Appointment of a Second Proxy

If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form.

To appoint a second proxy you must:

- indicate that you wish to appoint a second proxy by marking the box;
- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form; and
- return both forms together.

### Authorised Signature/s

You must sign this form as follows in the spaces provided:

- Joint Holding                      in the case of joint holders the proxy form may be signed by any one holder.
- Power of Attorney              if signed under a Power of Attorney, you must have already lodged it with the Company, or alternatively, attach the Power of Attorney or a copy to this Proxy Form when you return it.
- Companies                          a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also the sole Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the meeting and a proxy form is not used, then an appropriate "Certificate of Appointment of Representative" should be produced prior to admission.

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## Lodgement of Proxy Form

This Proxy Form and any Power of Attorney or other authority under which it is signed (or a copy or facsimile which appears on its face to be an authentic copy of the proxy, power or authority) must be received no later than 48 hours before the commencement of the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

**Documents may be lodged by facsimile to the Company's registered office on (08) 9420 9399, or by mail or delivery to the registered office of the Company at Level 1, 33 Ord Street, West Perth, Western Australia 6005, or sent to the registered office by email to [info@hazelwood.com.au](mailto:info@hazelwood.com.au).**