

# *Elsmore Resources Ltd*

Suite 141  
243 Pyrmont Street  
Pyrmont NSW 2009  
Ph +61 2 9518 8777  
Fx +61 2 9518 4238

## FOR IMMEDIATE RELEASE

22 December, 2014.

The Manager, Company Announcements  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

### **ELSMORE RESOURCES LTD**

Elsmore Resources Ltd (ASX:ELR) ("the Company") wishes to announce that a Class Meeting of the current holders of the 19,385,230 unauthorised shares issued by Mr Ashley Howard between 21 January 2014 and 20 February 2014 (the "Unauthorised Shares") will be held at 9:00am on 23 January 2015 at The Novotel Hotel, 100 Murray Street, Pyrmont NSW 2009.

In addition, the Company has called an Extraordinary General Meeting of the Company's shareholders which will be held at 10:00am on 23 January 2015, also at The Novotel Hotel, 100 Murray Street, Pyrmont NSW 2009.

The Directors of the Company have elected to call the Class Meeting and the Extraordinary General Meeting to seek to:

- (i) remove the Company's current auditor, Mr Faizal Ajmat, and to appoint Messrs K.S. Black & Co, Chartered Accountants in his place; and
- (ii) resolve the issues relating to the Unauthorised Shares.

The Company has today issued the required Notices of Meeting, Explanatory Memoranda and Proxy Forms to shareholders. The Directors also confirm that these documents have been lodged with ASIC in accordance with the requirements of the *Corporations Act 2001* (Cth).

The Directors look forward to the participation of shareholders at the upcoming Class Meeting and Extraordinary General Meeting.

Yours faithfully

***ELSMORE RESOURCES LTD***

***Joseph Chung***

***Executive Chief Executive Officer***

***For further information please contact:***

***Mr Joseph Chung***

***CEO Elsmore Resources Ltd***

***Tel: +61 2 9518 8777***

***Email [info@elsmoreresourcesltd.com.au](mailto:info@elsmoreresourcesltd.com.au)***

# Elsmore Resources Ltd

Suite 141  
243 Pyrmont Street  
Pyrmont NSW 2009  
Phone - 612 9518 8777  
Facsimile – 612 9518 4238

## NOTICE OF GENERAL MEETING

A General Meeting for Elsmore Resources Ltd (“the Company”) will be held at **10:00am on Friday, 23 January 2015 at The Novotel Hotel, 100 Murray Street, Pyrmont NSW 2009.**

The Directors of the Company have elected to call a General Meeting to:

- (i) remove the Company’s current auditor, Mr Faizal Ajmat, and to instead appoint Messrs K.S. Black & Co, Chartered Accountants as the Company’s auditor; and
- (ii) to resolve the issues relating to the unauthorised shares issued by Mr Ashley Howard without authorisation and for no consideration.

### 1. Removal and appointment of new Auditor

On 16 December 2014, the Company received a Notice from John and Lynette Gaffney pursuant to Section 329(1A) of the *Corporations Act 2001* (Cth) requesting that the Company convene a meeting to consider and, if thought fit, to pass a resolution that Mr Faizal Ajmat be removed as the auditor of the Company.

Mr Ajmat was previously a partner at K.S. Black & Co, Chartered Accountants, during which time he acted as the Company’s auditor. However, Mr Ajmat has now left the partnership and the Company wishes to replace Mr Ajmat as auditor with his former firm, Messrs K.S. Black & Co, Chartered Accountants.

In accordance with the requirements of the *Corporations Act 2001* (Cth), the Company’s shareholders are entitled to vote on the removal of the existing auditor and on the proposed appointment of Messrs K.S. Black & Co, Chartered Accountants as the Company’s auditor.

### 2. Selective Capital Reduction of Unauthorised Shares issued by Mr Ashley Howard

As shareholders will be aware, Mr Ashley Howard (the former Chairperson of the Company) directed the Company’s share registry, Boardroom Pty Limited, to issue 19,385,230 additional fully paid shares in the Company between 21 January 2014 and 20 February 2014 without proper authorisation (the “Unauthorised Shares”).

To date, the Company has not received any payment or other form of consideration from any of the recipients of the Unauthorised Shares (the “**Holders of the Unauthorised Shares**”). Further, the issue of these shares exceeded the maximum number of shares that the Company was entitled to issue without obtaining Board or shareholder approval.

Following discussions with certain Holders of the Unauthorised Shares, it has been proposed that those shares be cancelled by way of a selective capital reduction pursuant to the provisions of Section 256B(1) of the *Corporations Act 2001* (Cth) on the basis that such a selective capital reduction:

- (a) is fair and reasonable to the Company's shareholders as a whole; and
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) will be approved by shareholders under section 256C.

As is explained in greater detail in the Explanatory Memorandum, the Directors of the Company consider that the proposed selective capital reduction is fair and reasonable to the shareholders as a whole and will not materially prejudice the Company’s ability to pay its creditors.

In accordance with Section 256C of the *Corporations Act 2001* (Cth), the proposed selective capital reduction is subject to a special resolution in favour of the reduction and cancellation being passed by the Holders of the Unauthorised Shares themselves at the Class Meeting, and then to a further special resolution being passed by the Company's ordinary shareholders at the General Meeting to follow.

The Directors of the Company consider that the cancellation of the Unauthorised Shares and the resulting correction of the Company's share register is an essential step in the Company's plan to return to trading as soon as possible.

### **3. Attending the General Meeting**

The Notice of Meeting, Explanatory Memorandum and Proxy Form for the upcoming General Meeting are set out on the following pages. These are important documents which you should read carefully as part of your consideration of the proposed Resolutions.

If you are attending the General Meeting in person, please arrive at least 30 minutes prior to commencement and bring your Proxy Form to assist registration. If you cannot attend in person, we encourage you to appoint a proxy to attend and vote on your behalf.

The Directors are pleased to put the above Resolutions to the Company's Shareholders and consider that they are each in the best interests of the Company. Accordingly, the Directors unanimously recommend that you vote in favour of each of the proposed resolutions.

Should you wish to discuss the matters detailed in this Notice of Meeting and Explanatory Memorandum, please do not hesitate to contact us.

We look forward to your participation at the upcoming General Meeting.

Yours faithfully

**Elsmore Resources Ltd**

Joseph Chung  
Chief Executive Officer

For further information please contact:

Mr Joseph Chung  
CEO Elsmore Resources Ltd  
Tel: 612 9518 8777

*Note: This letter contains general information only, and has been prepared without taking account of the objectives, financial situation or needs of any particular person. Accordingly, before acting on any information in this letter, you should consider the appropriateness of the information to your objectives, financial situation and needs and consult a professional advisor where necessary. Elsmore Resources Ltd is not licensed to provide financial product advice.*

# **ELSMORE RESOURCES LIMITED**

**ABN 35 145 701 033**

---

## **NOTICE OF GENERAL MEETING**

**and**

## **EXPLANATORY MEMORANDUM**

---

**Date of Meeting:** 23 January 2015

**Time of Meeting:** 10.00am (AEDST)

**Place of Meeting:** Novotel Hotel  
100 Murray Street  
PYRMONT NSW 2009

This Notice of General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

# ELSMORE RESOURCES LIMITED

ABN 35 145 701 033

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the shareholders of Elsmore Resources Limited ABN 35 145 701 033 ("the Company") will be held at **The Novotel Hotel, 100 Murray Street, Pyrmont, New South Wales at 10:00am (AEDST) on 23 January 2015.**

The Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting describes the various matters to be considered and contains a glossary of defined terms for terms that are not defined in full in this Notice of General Meeting.

## AGENDA – ORDINARY BUSINESS

### ORDINARY RESOLUTION

---

#### 1. Removal of Auditor

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

*"That Mr Faizal Ajmat be removed as the auditor of Elsmore Resources Ltd."*

### SPECIAL RESOLUTION

---

#### 2. Appointment of Auditor

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

*"That Messrs K.S. Black & Co, Chartered Accountants, be appointed as the auditor of Elsmore Resources Ltd"*.

### SPECIAL RESOLUTION

---

#### 3. Share Capital Reduction

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

*"That, subject to a Special Resolution being passed by those entitled to vote at the Class Meeting of the holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling the 19,385,230 ordinary shares in Elsmore Resources Ltd issued by Mr Ashley Howard without authorisation and for no consideration."*

**Short Explanation:** Under the *Corporations Act 2001* (Cth), a company may make a selective reduction of its capital by a special resolution passed at a general meeting. The cancellation of 19,385,230 shares is a selective reduction of capital and therefore must be approved by either a special resolution at a general meeting or by a resolution agreed to by all ordinary shareholders at a general meeting. Please refer to the Explanatory Memorandum for details.

**Voting Exclusions:** The Company will disregard any votes cast on this Resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amount unpaid on shares is to be reduced, or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy of a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## AGENDA - CONTINGENT BUSINESS

### SPECIAL RESOLUTION

---

#### 4. Share Capital Reduction

If the condition (described below) is satisfied, to consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, subject to a Special Resolution being passed by those entitled to vote at the Class Meeting of holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 17,165,230 of the ordinary shares in Elsmore Resources Ltd issued by Mr Ashley Howard without authorisation and for no consideration."*

##### Notes for Resolution 4

Whilst those submitting proxies are asked to vote on each of Resolutions 1, 2, 3, 4, 5 and 6, those attending the General Meeting will only be asked to vote on Resolution 4 if:

- 1) at least 25% of votes cast on Resolution 1 at the Class Meeting of the Holders of the Unauthorised Shares issued by Mr Ashley Howard ("the Class Meeting") were against the proposed selective capital reduction and cancellation of the 19,385,230 ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration;

OR

- 2) at least 25% of votes cast on Resolution 3 by ordinary shareholders at the General Meeting are against the proposed selective capital reduction and cancellation of the 19,385,230 ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration.

The Explanatory Memorandum further explains the circumstances in which votes cast on Item 4 will become effective.

### SPECIAL RESOLUTION

---

#### 5. Share Capital Reduction

If the condition (described below) is satisfied, to consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, subject to a Special Resolution being passed by those entitled to vote at the Class Meeting of holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 15,912,230 of the ordinary shares in Elsmore Resources Ltd issued by Mr Ashley Howard without authorisation and for no consideration."*

##### Notes for Resolution 5

Whilst those submitting proxies are asked to vote on each of Resolutions 1, 2, 3, 4, 5 and 6, those attending the General Meeting will only be asked to vote on Resolution 5 if:

- 1) at least 25% of votes cast on Resolution 1 and at least 25% of votes cast on Resolution 2 at the Class Meeting were against the proposed selective capital reductions and the cancellation of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration outlined therein;

OR

- 2) at least 25% of votes cast on Resolution 3 and at least 25% of votes cast on Resolution 4 by ordinary shareholders at the General Meeting are against the proposed selective capital reductions and the cancellation of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration outlined therein.

The Explanatory Memorandum further explains the circumstances in which votes cast on Resolution 5 will become effective.

## **SPECIAL RESOLUTION**

### **6. Share Capital Reduction**

---

If the condition (described below) is satisfied, to consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, subject to a Special Resolution being passed by those entitled to vote at the Class Meeting of holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 13,535,230 of the ordinary shares in Elsmore Resources Ltd issued by Mr Ashley Howard without authorisation and for no consideration."*

#### **Notes for Resolution 6**

Whilst those submitting proxies are asked to vote on each of Resolutions 1, 2, 3, 4, 5 and 6, those attending the General Meeting will only be asked to vote on Resolution 6 if:

- 1) at least 25% of votes cast on Resolutions 1, 2 and 3 at the Class Meeting were against the proposed selective capital reductions and the cancellation of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration outlined therein;

OR

- 2) at least 25% of votes cast on Resolutions 3, 4 and 5 by ordinary shareholders at the General Meeting are against the proposed selective capital reductions and the cancellation of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration outlined therein.

The Explanatory Memorandum further explains the circumstances in which votes cast on Resolution 6 will become effective.

**PLEASE NOTE: Shareholders submitting votes by proxy should cast votes on each of Resolutions 1, 2, 3, 4, 5 and 6.**

#### **BY ORDER OF THE BOARD**

John Gaffney  
Company Secretary  
Dated: 19 December 2014



# **ELSMORE RESOURCES LIMITED**

**ABN 35 145 701 033**

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the General Meeting of Shareholders to be held at **The Novotel Hotel, 100 Murray Street, Pyrmont New South Wales at 10.00am AEDST on 23 January 2015.**

The Explanatory Memorandum should be read in conjunction with the accompanying Notice of General Meeting. For the assistance of Shareholders, a glossary of defined terms is included at the end of this Explanatory Memorandum.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions contained in the Notice of Meeting.

## **AGENDA**

---

### **Resolution 1**

#### **ORDINARY RESOLUTION**

##### **Removal of Mr Faizal Ajmat as the Company's auditor**

On 16 December 2014, the Company received a notice from John and Lynette Gaffney pursuant to section 329(1A) of the *Corporations Act 2001* (Cth) requesting that the Company convene a meeting to consider and, if thought fit, to pass a resolution that Mr Faizal Ajmat be removed as the auditor of the Company.

In accordance with its obligations under section 329(2) of the *Corporations Act 2001* (Cth), the Company provided a copy of that notice to both the auditor, Mr Faizal Ajmat and to ASIC.

Mr Ajmat was appointed as the Company's auditor on 15 June 2013 while a partner at K.S. Black & Co, Chartered Accountants, and has conducted the Company's audit in an effective and competent manner.

However, Mr Ajmat is not now a member or partner of K.S. Black & Co, Chartered Accountants, and is unable to continue to act as the Company's auditor.

---

### **Resolution 2**

#### **ORDINARY RESOLUTION**

##### **Appointment of K.S. Black & Co, Chartered Accountants, as the Company's auditor**

The Company proposes to appoint Messrs K.S. Black & Co, Chartered Accountants, as the Company's auditor.

In accordance with Section 328B(1) of the *Corporations Act 2001* (Cth), Messrs K.S. Black & Co, Chartered Accountants, were formally nominated to act as the Company's auditor by John and Lynette Gaffney on 11 December 2014.

The Company has received written consent from Messrs K. S. Black & Co, Chartered Accountants, to its appointment as the auditor of the Company, subject to shareholder approval.

In accordance with section 328B(3) of the *Corporations Act 2001* (Cth), a copy of the notice of nomination is included at the end of this Explanatory Memorandum.

---

## Resolution 3

### SPECIAL RESOLUTION

#### Share Capital Reduction

##### 1. Background

Between 21 January 2014 and 20 February 2014, Mr Ashley Howard (the former Chairperson of the Company) directed the Company's share registry to issue 19,385,230 additional fully paid shares in the Company to selected holders without proper authorisation (the "Unauthorised Shares"). The Company's total share capital upon listing was 93,038,620 ordinary shares.

To date, the Company has not received any payment or other form of consideration from any of the recipients of the Unauthorised Shares (the "Holders of the Unauthorised Shares"). Further, the issue of these shares exceeded the maximum number of shares that the Company was entitled to issue without obtaining Board or shareholder approval.

Following discussions with certain Holders of the Unauthorised Shares, it has been proposed that the Unauthorised Shares be cancelled by way of a selective capital reduction. As no consideration was received by the Company for the Unauthorised Shares, the Company proposes to effect the selective capital reduction for no consideration.

##### 2. Corporations Act 2001 (Cth)

Pursuant to Section 256 of the *Corporations Act 2001* (Cth), a company may make a selective capital reduction if it is approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced. If the reduction of capital involves the cancellation of shares, the reduction must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled (i.e. the Holders of the Unauthorised Shares).

The requirements contained in the *Corporations Act 2001* (Cth) in relation to reductions of share capital are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the company's insolvency;
- (b) seeking to ensure fairness between the shareholders of the company; and
- (c) requiring the company to disclose all material information.

In particular, Section 256B(1) of the *Corporations Act 2001* (Cth) provides that a company may only reduce its capital if:

- (a) it is fair and reasonable to shareholders as a whole; and
- (b) it does not materially prejudice the company's ability to pay its creditors; and
- (c) it is approved by shareholders in accordance with section 256C of the *Corporations Act 2001* (Cth).

In the opinion of the directors of the Company, the proposed selective capital reduction is fair and reasonable to the shareholders as a whole, including to the Holders of the Unauthorised Shares as:

- (1) Mr Howard did not at any time have authority to order the Company's share registry, Boardroom Pty Limited, to issue shares and did not seek Board or shareholder approval for the relevant share allotments;
- (2) no consideration for the 19,385,230 Unauthorised Shares was ever received by the Company from the Holders of the Unauthorised Shares and it is therefore inappropriate that they remain unpaid and on issue; and
- (3) the Company's share capital has been substantially diluted, namely, by the addition of the 19,385,230 Unauthorised Shares.

The Directors believe it is appropriate that the Unauthorised Shares be cancelled. The Directors also consider the cancellation of the Unauthorised Shares and the resulting correction of the Company's share register to be an essential step in the Company's plan to return to trading as soon as possible.

In addition, the proposed selective capital reduction will not materially prejudice the Company's ability to pay its creditors as the Unauthorised Shares will be cancelled for no consideration.

Finally, in accordance with Section 256C(2) of the *Corporations Act 2001* (Cth), the proposed selective capital reduction is subject to:

1. a special resolution being passed by the Holders of the Unauthorised Shares themselves at a Class Meeting; and
2. a special resolution being passed by the Company's ordinary shareholders (not including the Holders of the Unauthorised Shares) at a General Meeting.

## CONTINGENT BUSINESS

---

### Resolutions 4, 5 and 6 SPECIAL RESOLUTIONS

#### Share Capital Reduction

The Company has reached a formal agreement with the majority of the Holders of the Unauthorised Shares to effect the intended selective capital reduction for no consideration.

However, in the event that 25% or more of the Holders of the Unauthorised Shares vote at the Class Meeting against the selective capital reduction and the full cancellation of the 19,385,230 ordinary shares issued by Mr Howard without authorisation and for no consideration, the Company has proposed three items of Contingent Business (together with associated Resolutions) at both the Class Meeting and the General Meeting as follows:

- (4) *"That, subject to a Special Resolution being passed by those entitled to vote at a Class Meeting of the holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 17,165,230 of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration; and*
- (5) *"That, subject to a Special Resolution being passed by those entitled to vote at a Class Meeting of the holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 15,912,230 of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration.*
- (6) *"That, subject to a Special Resolution being passed by those entitled to vote at a Class Meeting of the holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 13,535,230 of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration.*

### **PLEASE NOTE: Shareholders submitting votes by proxy should cast votes on each of Resolutions 1, 2, 3, 4, 5 and 6.**

Shareholders should note that votes cast on Resolution 4 will only become effective if:

- 1) at least 25% of votes cast on Resolution 1 at the Class Meeting of the Holders of the Unauthorised Shares issued by Mr Ashley Howard ("the Class Meeting") were against the proposed selective capital reduction and cancellation of the 19,385,230 ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration;

OR

- 2) at least 25% of votes cast on Resolution 3 by ordinary shareholders at the General Meeting are against the proposed selective capital reduction and cancellation of the

19,385,230 ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration.

Similarly, votes cast on Resolution 5 will only become effective if:

- 1) at least 25% of votes cast on Resolution 1 and at least 25% of votes cast on Resolution 2 at the Class Meeting were against the selective capital reduction and cancellation of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration proposed therein;

OR

- 2) at least 25% of votes cast on Resolution 3 and at least 25% of votes cast on Resolution 4 by ordinary shareholders at the General Meeting are against the selective capital reduction and cancellation of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration proposed therein.

Finally, votes cast on Resolution 6 will only become effective if:

- 1) at least 25% of votes cast on Resolutions 1, 2 and 3 at the Class Meeting were against the selective capital reduction and cancellation of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration proposed therein;

OR

- 2) at least 25% of votes cast on Resolution 3, 4 and 5 by ordinary shareholders at the General Meeting are against the selective capital reduction and cancellation of the ordinary shares issued by Mr Ashley Howard without authorisation and for no consideration proposed therein.

These items of Contingent Business have been proposed by the Company to ensure that steps can still be taken to remedy the issues associated with the Unauthorised Shares even if the cancellation of all of the Unauthorised Shares is not possible.

In the event that the Company is unable to cancel all of the Unauthorised Shares as proposed in Resolution 3, however, the Company advises that it intends to commence immediate legal action against any Holder of Unauthorised Shares whose parcel of Unauthorised Shares is not cancelled as part of the selective capital reduction.

Specifically, the Company will prepare a Statement of Claim against each Holder of Unauthorised Shares whose parcel has not been cancelled to either:

- (i) seek an Order from the Court that the remaining parcels of the Unauthorised Shares be cancelled; or alternatively
- (ii) claim from the remaining Holders of the Unauthorised Shares the unpaid share subscription fees in respect of their parcel of Unauthorised Shares as at the relevant date(s) of issue.

## Timetable

An indicative timetable for the implementation of the proposed selective capital reduction and cancellation of the Unauthorised Shares is set out below:

Event	Date
<ul style="list-style-type: none"><li>- Proposed selective capital reduction announced.</li><li>- Notice of Meeting, Notice of General Meeting and accompanying documentation dispatched.</li></ul>	18 December 2014
<ul style="list-style-type: none"><li>- Meeting of Holders of Unauthorised Shares and General Meeting of Shareholders held at the Novotel Hotel, Pyrmont.</li><li>- Approval of selective capital reduction announced to market.</li><li>- Resolutions approving the selective capital reduction lodged with ASIC.</li></ul>	23 January 2015
<ul style="list-style-type: none"><li>- Announce to market and to ASX that 14 days has passed since resolutions approving the selective capital reduction were lodged with ASIC.</li><li>- Selective capital reduction commenced and Unauthorised Shares cancelled.</li><li>- Company's share registers updated as required.</li></ul>	9 February 2015
<ul style="list-style-type: none"><li>- Notices issued to Shareholders advising of number of securities held before and after the selective capital reduction.</li><li>- Uncertificated holdings registered on a post-reorganisation basis and new holding statements issued.</li><li>- In the case of certificated holdings, new certificates issued.</li></ul>	16 February 2015

The Directors note that the Company's securities are currently subject to a voluntary suspension in trading. However, the Directors expect that the Company will be reinstated to the official list on or around 28 February 2015.

## Directors' Recommendations

The Directors believe that Resolutions 1, 2, 3, 4, 5 and 6 are in the best interests of the Company and its shareholders.

## Other Material Information

There is no information material to the making of a decision by a shareholder whether or not to approve the Resolutions being information that is known to any of the Directors and which has not been previously disclosed to shareholders in the Company, other than as disclosed in this Explanatory Memorandum.

Please note, once the required resolutions are passed by both the Holders of the Unauthorised Shares and by the Company's ordinary shareholders, the Company will not make the reduction of capital until 14 days after lodgment of the Resolution with ASIC. As such, the effective date of the selective capital reduction will be 9 January 2015.

## GLOSSARY OF TERMS

In this Explanatory Memorandum, the following expressions have the following meanings:

"**ASX**" means ASX Limited, or the stock exchange conducted by ASX, as the context requires

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

"**Company**" means Elsmore Resources Limited.

"**Constitution**" means the Company's constitution from time to time.

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

"**Directors**" means the directors of the Company from time to time.

"**Directors' Report**" means the directors' report contained in the Annual Report.

"**Equity Securities**" has the meaning given in Chapter 19 of the ASX Listing Rules

"**Explanatory Memorandum**" means the explanatory memorandum that accompanies and forms part of this Notice.

"**Listing Rule**" means a Listing Rule of ASX Limited.

"**Meeting**" or "**General Meeting**" means the general meeting of Shareholders of the Company convened by this Notice.

"**Notice**" or "**Notice of General Meeting**" means the notice of general meeting which accompanies this Explanatory Memorandum.

"**Resolution**" means a resolution referred to in the Notice.

"**Share**" means an ordinary share in the Company.

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

"**AEDST**" means Australian Eastern Daylight Standard Time in New South Wales.



## PROXY AND VOTING ENTITLEMENT INSTRUCTIONS

### PROXY INSTRUCTIONS

Shareholders are entitled to appoint up to two individuals or bodies corporate to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

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 must be deposited at or sent by post to the Company Secretary's office at Suite 141, Ground Floor, 243 Pyrmont Street, Pyrmont NSW 2009 or by facsimile to +61 2 9518 4238 not less than **48 hours** before the time for holding the General Meeting, or adjourned meeting as the case may be, at which the individual or body corporate 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 corporation, in a manner permitted by the *Corporations Act 2001* (Cth). The proxy may, but need not, be a Shareholder of the Company. In the case of Shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form is attached to this Notice.

### VOTING ENTITLEMENT

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 the Shares at **7.00pm (AEDST) on 22 January 2015** and accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

### QUESTIONS FROM SHAREHOLDERS

At the Meeting the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments on the management of the Company and the resolutions.

To assist the Board and the auditor of the Company in responding to questions please submit any questions you may have by mail or by facsimile to the Company Secretary's office at the address noted above so that it is received by no later than **5.00pm (AEDST) on 21 January 2015**.



**All Correspondence to:**

✉ **By Mail** Elsmore Resources Limited  
Suite 141, Ground Floor  
243 Pyrmont Street  
Pyrmont NSW 2009 Australia

📠 **By Fax:** +61 2 9518 4238

☎ **By Phone:** +61 2 9518 8777

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am AEDST on Wednesday, 21st January, 2015.**

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered security holder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that 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 may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the security holder.

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

**Power of Attorney:** To sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** This form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00 am AEDST Wednesday 21st January 2015**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

#### Proxy forms may be lodged:

📠 **By Fax** +61 2 9518 4238

✉ **By Mail** Elsmore Resources Limited  
Suite 141, Ground Floor  
243 Pyrmont Street  
Pyrmont NSW 2000 Australia

👤 **In Person** Elsmore Resources Limited  
Suite 141, Ground Floor  
243 Pyrmont Street  
Pyrmont NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.



# Elsmore Resources Limited

ABN 35 145 701 033

☐

## Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

## PROXY FORM

### STEP 1 APPOINT A PROXY

I/We being a member/s of Elsmore Resources Limited and entitled to attend and vote hereby appoint

☐

Appoint the Chairman of the Meeting (mark box)

OR If you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting as my/our proxy at the General Meeting of the Company to be held at The Novotel Hotel, 100 Murray Street, Pyrmont NSW 2009 on Friday 23<sup>rd</sup> January 2015 at 10:00am AEDST and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chairman of the Meeting will vote all undirected proxies in favour of all Resolutions. Unless you indicate otherwise by ticking either the "for" or "against" box below, you are deemed to have directed the Chairman to vote in favour of these resolutions and the Chairman will vote all undirected proxies in favour of all Resolutions. If you wish to vote "against" or "abstain" you should mark the box below accordingly.

### STEP 2 VOTING DIRECTIONS

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

Resolution 1	That Mr Faizal Ajmat be removed as the auditor of Elsmore Resources Ltd	For <input type="checkbox"/>	Against <input type="checkbox"/>	Abstain* <input type="checkbox"/>
Resolution 2	That Messrs K.S. Black & Co, Chartered Accountants, be appointed as the auditor of Elsmore Resources Ltd	For <input type="checkbox"/>	Against <input type="checkbox"/>	Abstain* <input type="checkbox"/>
Resolution 3	That, subject to a Special Resolution being passed by those entitled to vote at the Class Meeting of holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling the 19,385,230 of the ordinary shares in Elsmore Resources Ltd issued by Mr Ashley Howard without authorisation and for no consideration.	For <input type="checkbox"/>	Against <input type="checkbox"/>	Abstain* <input type="checkbox"/>
CONTINGENT BUSINESS - (PLEASE ALSO VOTE ON RESOLUTIONS 4, 5 AND 6 - SEE EXPLANATORY MEMORANDUM FOR FURTHER DETAILS)				
Resolution 4	That, subject to a Special Resolution being passed by those entitled to vote at the Class Meeting of holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 17,165,230 of the ordinary shares in Elsmore Resources Ltd issued by Mr Ashley Howard without authorisation and for no consideration.	For <input type="checkbox"/>	Against <input type="checkbox"/>	Abstain* <input type="checkbox"/>
Resolution 5	That, subject to a Special Resolution being passed by those entitled to vote at the Class Meeting of holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 15,912,230 of the ordinary shares in Elsmore Resources Ltd issued by Mr Ashley Howard without authorisation and for no consideration.	For <input type="checkbox"/>	Against <input type="checkbox"/>	Abstain* <input type="checkbox"/>
Resolution 6	That, subject to a Special Resolution being passed by those entitled to vote at the Class Meeting of holders of the Unauthorised Shares issued by Mr Ashley Howard in similar terms to this Resolution, Elsmore Resources Ltd reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 (Cth) by cancelling 13,535,230 of the ordinary shares in Elsmore Resources Ltd issued by Mr Ashley Howard without authorisation and for no consideration.	For <input type="checkbox"/>	Against <input type="checkbox"/>	Abstain* <input type="checkbox"/>

### STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / /