



# Notice of Extraordinary General Meeting

**Pawnee Energy Limited ABN 73 122 948 805**

Notice is hereby given that an Extraordinary General Meeting of the shareholders of Pawnee Energy Limited (**Company**) will be held at Minter Ellison, Level 10, 25 Grenfell Street, Adelaide SA 5000 on Friday 18<sup>th</sup> March 2016, at 10.30 am, for the purpose of transacting the business referred to in this Notice of Extraordinary General Meeting.

The Explanatory Notes that accompany and form a part of this Notice of Extraordinary General Meeting describe the Special Business to be considered.

## **SPECIAL BUSINESS**

To consider, and if thought fit, to pass, with or without modification, the following resolutions as ordinary resolutions:

### **1. ORDINARY RESOLUTION 1: RATIFICATION OF PRIOR ISSUE OF 500,000 CONVERTIBLE NOTES AND APPROVAL OF ISSUE OF SHARES ON CONVERSION OF CONVERTIBLE NOTES**

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

*'That, for the purposes of ASX Limited (**ASX**) Listing Rule 7.4 and all other purposes, shareholders approve and ratify the issue of 500,000 convertible notes to certain professional and sophisticated investors and approve the conversion of such convertible notes into fully paid ordinary shares in the capital of the Company calculated in accordance with and on the terms and conditions as set out in the Explanatory Notes accompanying this Notice of Meeting.'*

**Voting exclusion:** The Company will disregard any votes cast on this ordinary resolution by any person who participated in the issue (a **Participating Party**) and any associate of a Participating Party. However, the Company will not disregard a vote if:

- (a) it is cast by a Participating Party 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 a Participating Party who is 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. ORDINARY RESOLUTION 2: APPROVAL OF PLACEMENT OF 6,666,667 SHARES TO AE ADMINISTRATIVE SERVICES PTY LTD**

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

*'That, for the purposes of ASX Listing Rule 10.11 and all other purposes, shareholders approve the proposed issue of 6,666,667 fully paid ordinary shares in the capital of the Company to AE Administrative Services Pty Ltd, in consideration for past services provided to the Company and on such other terms and conditions as set out in the Explanatory Notes accompanying this Notice of Meeting.'*

If Resolution 2 is approved by shareholders of the Company for the purposes of Listing Rule 10.11, separate approval is not required under Listing Rule 7.1.

**Voting exclusion:** The Company will disregard any votes cast on this ordinary resolution by AE Administrative Services Pty Ltd and any associate of AE Administrative Services Pty Ltd. However, the Company will 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 a person who is 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. ORDINARY RESOLUTION 3: APPROVAL OF PLACEMENT OF SHARES TO DIRECTOR**

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

*'That, for the purposes of ASX Listing Rule 10.11 and all other purposes, shareholders approve the proposed issue of 10,913,333 fully paid ordinary shares in the capital of the Company to Davan Nominees Pty Ltd, a related party of Mr David Lindh, a director of the Company, in consideration for accrued director fees and on such other terms and conditions as set out in the Explanatory Notes accompanying this Notice of Meeting.'*

**Voting exclusion:** The Company will disregard any votes cast on this ordinary resolution by Davan Nominees Pty Ltd and any associate of Davan Nominees Pty Ltd. However, the Company will 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 a person who is 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. ORDINARY RESOLUTION 4: APPROVAL OF PLACEMENT OF SHARES TO DIRECTOR**

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

*'That, for the purposes of ASX Listing Rule 10.11 and all other purposes, shareholders approve the proposed issue of 5,333,333 fully paid ordinary shares in the capital of the Company to Mr Neville Martin, a director of the Company, in consideration for accrued director fees and on such other terms and conditions as set out in the Explanatory Notes accompanying this Notice of Meeting.'*

**Voting exclusion:** The Company will disregard any votes cast on this ordinary resolution by Neville Martin and any associate of Neville Martin. However, the Company will 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 a person who is 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. ORDINARY RESOLUTION 5: APPROVAL OF PLACEMENT OF SHARES TO DIRECTOR**

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

*'That, for the purposes of ASX Listing Rule 10.11 and all other purposes, shareholders approve the proposed issue of 2,666,667 fully paid ordinary shares in the capital of the Company to Mr Richard Groden, a director of the Company, in consideration for accrued director fees and on such other terms and conditions as set out in the Explanatory Notes accompanying this Notice of Meeting.'*

**Voting exclusion:** The Company will disregard any votes cast on this ordinary resolution by Richard Groden and any associate of Richard Groden. However, the Company will 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 a person who is 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.

## **OTHER BUSINESS**

To deal with any other business that may legally be brought forward in accordance with the Constitution and the *Corporations Act 2001*.

## **EXPLANATORY NOTES**

Explanatory Notes for this Notice appear on the following pages.

**By order of the Board**

A handwritten signature in black ink, appearing to read 'J. Lindh', written over a light blue horizontal line.

**Jonathan W. Lindh**  
**Company Secretary**  
**15 February 2016**

## VOTING ENTITLEMENTS

The Company has determined that, in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Company's shares quoted on ASX at 7.00 pm (Sydney Time) on Wednesday 16<sup>th</sup> March 2016 will be taken, for the purposes of the Extraordinary General Meeting, to be held by the persons who held them at that time. Accordingly, those persons are entitled to attend and vote at the meeting.

## PROXIES

A shareholder who is entitled to attend and vote at the Extraordinary General Meeting may appoint up to two proxies to attend and vote on behalf of that shareholder. A proxy form is included with this Notice of Extraordinary General Meeting. If you require an additional proxy form, please contact the Company.

If a shareholder appoints two proxies, the appointment of the proxies may specify the proportion or the number of that shareholder's votes that each proxy may exercise. If the appointment does not so specify, each proxy may exercise half of the votes. Fractions of votes will be disregarded.

A proxy need not be a shareholder of the Company. Proxies given by corporate shareholders must be executed in accordance with their constitutions, or signed by a duly authorised officer or attorney.

To be effective, the Company must receive the completed proxy form and, if the form is signed by the shareholder's attorney or authorised officer, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 10.30 am (Adelaide time) on Wednesday 16<sup>th</sup> March 2016, by post or fax to:

To be effective, proxy forms (duly completed) must be received by the Company at Computershare Investor Services Pty Ltd, by mail at GPO Box 242, Melbourne, Victoria 3001 or be delivered in person at Level 5, 115 Grenfell Street, Adelaide SA 5000, no later than 48 hours before the time, in Adelaide, of the commencement of the meeting.

Proxy forms (duly completed) may be sent by facsimile to (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555 and must be received no later than 48 hours before the time, in Adelaide, of the commencement of the meeting.

For Intermediary Online subscribers only (Custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

## General voting exclusion statement

In accordance with section 250BD of the *Corporations Act 2001*, the Company is required to disregard any votes cast on Resolutions 3, 4 and 5 (cast as a proxy) by or on behalf of:

(a) a member of the Company's key management personnel (**KMP**), details of whose remuneration are included in the Company's remuneration report; or

(b) closely related party of such a member,

(together **Prohibited Persons**). Those resolutions are directly or indirectly related to the remuneration of a member of the Company's KMP, and the *Corporations Act 2001* restricts members of the KMP, and their closely related parties, from voting in such circumstances. The *Corporations Act 2001* defines 'closely related party', and this includes a spouse or dependent of a member of the KMP, and companies controlled by a member of the KMP.

However, a Prohibited Person may cast a vote on Resolutions 3, 4 and 5 as a proxy if either:

(a) the Prohibited Person does so as a proxy appointed in writing that specifies how the proxy is to vote on the applicable resolution; or

(b) the Prohibited Person is the Chair and the appointment of the Chair as proxy: (i) does not specify the way the proxy is to vote on the applicable resolution; and (ii) expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company or, if the Company is part of a consolidated entity, of the entity.

In addition to the above voting restrictions, the Company will disregard any votes cast on Resolutions 3, 4 and 5 by any associate of a Director, in accordance with the ASX Listing Rules, and any such person will also be a Prohibited Person for those purposes. In accordance with ASX Listing Rule 14.11.1, each of the Directors, and their associates, are excluded from voting on those resolutions. In the case of a Director or associate who is not subject to the restrictions affecting members of the KMP noted above, in accordance with the ASX Listing Rules the Company will not disregard a vote if:

(a) it is cast by the Prohibited 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 Prohibited Person who is 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, and where the chair has received express authority to vote undirected proxies as the chair sees fit.

### **Appointment of company representative**

A body corporate may elect to appoint a representative, rather than appoint a proxy, in accordance with the *Corporations Act 2001*. Where a body corporate appoints a representative, the Company requires written proof of the representative's appointment to be lodged with or presented to the Company before the meeting.

### **Voting by proxies**

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit. If a proxy abstains from voting and the directions on the proxy require that person to vote, the votes not exercised by the proxy will be given to the Chair to vote in accordance with the directions on the proxy form.

Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.

***Please read the directions on the proxy form carefully.***

# Extraordinary General Meeting – Explanatory Notes

## Pawnee Energy Limited ABN 73 122 948 805

These Explanatory Notes have been prepared for the information of shareholders in connection with the Extraordinary General Meeting of shareholders to be held at Minter Ellison, Level 10, 25 Grenfell Street, Adelaide SA 5000 on Friday 18<sup>th</sup> March 2016 at 10.30 am.

These Explanatory Notes should be read in conjunction with the accompanying Notice, and are a brief explanation of the agenda items in the Notice, and why the Company is seeking shareholder approval. For your convenience key terms used in these Notes are defined in the Glossary below.

## AGENDA ITEM 1

### ORDINARY RESOLUTION 1: RATIFICATION OF PRIOR ISSUE OF 500,000 CONVERTIBLE NOTES AND APPROVAL OF THE ISSUE OF SHARES ON CONVERSION OF THE CONVERTIBLE NOTES

#### Background

The Board seeks shareholder approval of a prior issue of 500,000 convertible notes and the issue of up to 33,333,333 shares, being the maximum number of shares that may be issued on conversion of such convertible notes. On 2 February 2016, the Company announced that Resource Capital Limited (**RCL**) would provide an interest free loan of \$1m to the Company in two tranches of \$500,000 by way of convertible notes. It is expected that RCL will pay the first tranche of \$500,000 to the Company on or about 19 February 2016 and in exchange the Company will be required to issue 500,000 convertible notes to RCL and independent clients of RCL (**Convertible Notes**). The Company intends to issue 500,000 Convertible Notes to sophisticated investors nominated by RCL on or about 22 February 2016 (**First Tranche**).

The effect on the capital structure of the Company following the issue of the Convertible Notes and the potential shares on issue following a conversion of the Convertible Notes into shares is as follows:

<b>Shares</b>	<b>Number</b>
Current	7,428,340
Issue on conversion of Convertible Notes under First Tranche (Resolution 1)	33,333,333
Placement of shares (Resolution 2)	6,666,667
Placement of shares (Resolutions 3, 4 and 5)	18,913,333
<b>TOTAL</b>	<b>66,341,673</b>

#### Key Information

ASX Listing Rule 7.5 requires the following information about the First Tranche to be given to the Company's shareholders.

**Issuee:** All of the Convertible Notes will be issued to investors who were able to satisfy the 'professional investor' or 'sophisticated investor' requirements under the Corporations Act, or who for other reasons did not require a disclosure document to be prepared, in order to take up the Convertible Notes in the Company. Accordingly, the Company will be able to make the First Tranche, without needing to prepare a prospectus or other disclosure document.

**Number issued:** The number of Convertible Notes issued under the First Tranche will be 500,000. The maximum number of shares that may be issued on conversion of the Convertible Notes under the First Tranche is 33,333,333.

**Issue price:** The Convertible Notes each have a face value of \$1.00.

**Terms of issue:** The key terms of the Convertible Notes are set out in Schedule 1 to these Explanatory Notes.

**Use of funds raised:** The funds are being used by the Company to reduce outstanding creditors and for general working capital requirements.

### Reasons for seeking shareholder approval

The Board seeks subsequent shareholder approval for the issue of 500,000 Convertible Notes and the conversion of such Convertible Notes into shares, as noted above.

Under the ASX Listing Rules, the Company may not issue shares, options or convertible securities, comprising more than 15% of its issued share capital, in any 12 month period without shareholder approval. This is subject to limited exceptions. In calculating the 15% threshold, any issue that has been given prior approval by shareholders under ASX Listing Rule 7.1 or is subsequently approved by shareholders under ASX Listing Rule 7.4 (provided that the previous issue did not breach ASX Listing Rule 7.1 at the time of issue) is not included in the 15% calculation.

In issuing the Convertible Notes under the First Tranche, the Company will not breach ASX Listing Rule 7.1 as conversion of the Convertible Notes into shares is subject to shareholder approval. Accordingly, the Convertible Notes will be debt instruments at the time of issue and not considered equity securities until such time as this approval is obtained.

For this reason, shareholder approval is sought for a prior issue of 500,000 Convertible Notes to professional and sophisticated investors under the First Tranche together with the subsequent conversion of such Convertible Notes into shares.

If Resolution 1 is approved by shareholders, the Company may exclude the issue of the Convertible Notes under the First Tranche and the conversion of these Convertible Notes into shares when calculating whether a future issue of shares or options will fall within the 15% limit under the ASX Listing Rules. This will permit the Company to issue additional shares or options in the Company at a later date, by way of placement, without requiring shareholder approval for that placement, and raise funds quickly, if the Board considers that it is in the interests of the Company to do so.

The Board intends to issue a further tranche of 500,000 convertible notes to RCL and sophisticated investors nominated by RCL on or before 31 August 2016 in accordance with the terms of the Heads of Agreement.

### Directors' Recommendation

***Mr David Lindh, Mr Neville Martin and Mr Richard Groden recommend that shareholders vote FOR Resolution 1 for the approval of the prior issue of Convertible Notes under the First Tranche and the conversion of such Convertible Notes into shares. The Chairman of the Extraordinary General Meeting intends to vote undirected proxies in favour of this Resolution 1.***

## AGENDA ITEM 2

### **ORDINARY RESOLUTION 2: APPROVAL OF PLACEMENT OF 6,666,667 SHARES TO AE ADMINISTRATIVE SERVICES PTY LTD**

#### **Background**

The Board seeks shareholder approval of the proposed issue of 6,666,667 fully paid ordinary shares by a placement, on the terms set out in Resolution 2 of the Notice. The shares will be issued to AE Administrative Services Pty Ltd (**AEA Placement**). The shares issued pursuant to the AEA Placement will be issued in consideration for the extinguishment of debts owing to AE Administrative Services Pty Ltd, being fees accrued for past company secretarial and accounting services, with no cash payable by the Company.

#### **Key Information**

ASX Listing Rule 10.13 requires the following information about the AEA Placement to be given to the Company's shareholders.

**Issuee:** AE Administrative Services Pty Ltd

**Number of shares to be issued:** The number of shares to be allotted and issued under the AEA Placement will be 6,666,667.

<b>Issue price:</b>	The shares will be issued in consideration for the extinguishment of debts owing to AE Administrative Services Pty Ltd, being fees accrued for past company secretarial and accounting services equal to the sum of \$100,000, and will be at an issue price of \$0.015 per share.
<b>Relationship with Company:</b>	AE Administrative Services Pty Ltd is an entity controlled by related parties of Mr David Lindh.
<b>Terms of issue:</b>	The securities issued will be fully paid ordinary shares in the Company. The shares will be issued on the same terms as the Company's other fully paid ordinary shares.
<b>Use of funds raised:</b>	No cash will be raised pursuant to the AEA Placement.
<b>Issue date:</b>	The Company will issue the shares under the AEA Placement within 1 month of the date of the Extraordinary General Meeting.

### **Reasons for seeking shareholder approval**

The Board seeks shareholder approval for the proposed issue of 6,666,667 shares to AE Administrative Services Pty Ltd.

Under the ASX Listing Rules, the Company may not issue shares or options over unissued shares, comprising more than 15% of its issued share capital, in any 12 month period without shareholder approval. This is subject to limited exceptions. In calculating the 15% threshold, any issue that has been given prior approval by shareholders under ASX Listing Rule 7.1 or is subsequently approved by shareholders under ASX Listing Rule 7.4 is not included in the 15% calculation.

Further under the ASX Listing Rules, the Company may not issue shares to any of the Directors or a related party of any Director without shareholder approval. This is subject to limited exceptions. (The Directors have determined that shareholder approval pursuant to the related party rules under the Corporations Act is not required for Resolution 2 as the Directors consider that the issue of shares to the relevant related party is on terms no less favourable to the Company than arm's length terms.)

AE Administrative Services Pty Ltd is a wholly owned subsidiary of Adelaide Equity Partners Limited. A family member of Mr David Lindh is a majority shareholder of Adelaide Equity Partners Limited.

For this reason, shareholder approval is sought for the proposed issue of 6,666,667 shares in the Company to AE Administrative Services Pty Ltd under the AEA Placement. If Resolution 2 is approved by shareholders, the Company may exclude the issue of these shares under the AEA Placement when calculating whether a future issue of shares or options will fall within the 15% limit under the ASX Listing Rules. This will permit the Company to issue additional shares or options in the Company at a later date, by way of placement, without requiring shareholder approval for that placement, and raise funds quickly, if the Board considers that it is in the interests of the Company to do so.

### **Directors' Recommendation**

***Mr Neville Martin and Mr Richard Groden recommend that shareholders vote FOR Resolution 2 for the approval of the proposed issue of shares under the AEA Placement. Mr David Lindh makes no recommendation in relation to Resolution 2. The Chairman of the Extraordinary General Meeting intends to vote undirected proxies in favour of this Resolution 2.***

## **AGENDA ITEMS 3, 4 AND 5**

### **ORDINARY RESOLUTIONS 3, 4 AND 5: APPROVAL OF PLACEMENT OF SHARES TO DIRECTORS**

#### **Background**

The Board seeks shareholder approval of the proposed issue of 18,913,333 shares in total by a placement in 3 tranches (consisting of 10,913,333 shares to be issued to Davan Nominees Pty Ltd, 5,333,333 shares to be issued to Mr Neville Martin and 2,666,667 shares to be issued to Mr Richard Groden), on the terms set out in Resolutions 3, 4 and 5 of the Notice, respectively. The shares will be issued to the specific Directors noted above, in consideration for accrued directors' fees, with no cash payable by the Company (**Accrued Directors' Fees Placement**).

The Company currently owes in aggregate approximately \$283,700 to Mr David Lindh, Mr Neville Martin and Mr Richard Groden for accrued directors' fees for the financial years ended 2013, 2014 and half year 2015. The Company has entered



into a deed of settlement with each of these parties, under which the Company will (subject to approval of these Resolutions 3, 4 and 5) issue shares to the relevant party as full settlement of all amounts owing.

### Key Information

ASX Listing Rule 10.13 requires the following information about the Accrued Directors' Fees Placement to be given to the Company's shareholders.

<b>Issuees:</b>	Davan Nominees Pty Ltd – 10,913,333 shares Mr Neville Martin – 5,333,333 shares Mr Richard Groden – 2,666,667 shares
<b>Number of shares to be issued:</b>	The total number of shares to be allotted and issued under the Accrued Directors' Fees Placement is 18,913,333.
<b>Issue price:</b>	The shares will be issued in consideration for \$283,700 of the Company's debts being extinguished. The Company will not pay any cash under the Accrued Directors' Fees Placement. Each of these parties has agreed to the issue of the above shares in lieu of payment of amounts owing.
<b>Relationship with Company:</b>	Davan Nominees Pty Ltd is an entity controlled by related parties of Mr David Lindh.
<b>Terms of issue:</b>	The securities issued will be fully paid ordinary shares in the Company. The shares will be issued on the same terms as the Company's other fully paid ordinary shares.
<b>Use of funds raised:</b>	\$283,700 of the Company's debts will be extinguished on issue of the Accrued Directors' Fee Placement. No cash will be raised pursuant to the Accrued Directors' Fees Placement.
<b>Issue date:</b>	The Company will issue the shares under the Accrued Directors' Fees Placement within 1 month of the date of the Extraordinary General Meeting.

### Reasons for seeking shareholder approval

The Board seeks shareholder approval for the proposed issue of 18,913,333 shares, as noted above.

Under the ASX Listing Rules, the Company may not issue shares or options over unissued shares, comprising more than 15% of its issued share capital, in any 12 month period, without shareholder approval. This is subject to limited exceptions. In calculating the 15% threshold, any issue that has been given prior approval by shareholders under ASX Listing Rule 7.1 or is subsequently approved by shareholders under ASX Listing Rule 7.4 is not included in the 15% calculation.

Further under the ASX Listing Rules, the Company may not issue shares to any of the Directors or a related party of any Director without shareholder approval. This is subject to limited exceptions. (The Directors have determined that shareholder approval pursuant to the related party rules under the Corporations Act is not required for Resolutions 3, 4 and 5, as the Directors consider that the issue of shares to the relevant related parties is on terms no less favourable to the Company than arm's length terms.)

For this reason, shareholder approval is sought for the proposed issue of 18,913,333 shares in the Company to the Directors noted above and to related parties of those Directors.

If Resolutions 3, 4 and 5 are approved by shareholders, the Company may exclude the issue of these shares under the Accrued Directors' Fees Placement when calculating whether a future issue of shares or options will fall within the 15% limit under the ASX Listing Rules. This will permit the Company to issue additional shares or options in the Company at a later date, by way of placement, without requiring shareholder approval for that placement, and raise funds quickly, if the Board considers that it is in the interests of the Company to do so.

### Directors' Recommendation

***Mr David Lindh, Mr Neville Martin and Mr Richard Groden make no recommendation in relation to Resolutions 3, 4 and 5 due to their involvement in the Accrued Directors' Fees Placement. The Chairman of the Extraordinary General Meeting intends to vote undirected proxies in favour of Resolutions 3, 4 and 5.***

## GLOSSARY

"**ASX**" means ASX Limited;

"**ASX Listing Rules**" means the Listing Rules of ASX;

"**Board**" means the board of directors of the Company;

"**Company**" means Pawnee Energy Limited ACN 122 948 805;

"**Corporations Act**" means *Corporations Act 2001 (Cth)*;

"**Directors**" means the directors of the Company;

"**Heads of Agreement**" means the heads of agreement dated 2 February 2016 between the Company and Resource Capital Limited;

"**Notice**" means the notice of meeting which accompanies these Explanatory Notes;

"**shares**" means fully paid ordinary shares in the Company, where the context permits; and

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

## Schedule 1 – Terms and Conditions of Convertible Notes

The terms and conditions of the Convertible Notes are as follows:

<b>Face Value</b>	\$1.00 per Convertible Note
<b>Security</b>	Unsecured
<b>Interest</b>	Non-interest bearing
<b>Conversion Date</b>	<p>The earlier of:</p> <p>(a) 31 March 2016 (<b>Drop Dead Date</b>); or</p> <p>(b) the date of conversion as requested by the noteholder; or</p> <p>(c) the day on which the ASX suspension of the shares of the Company is lifted.</p>
<b>Conversion</b>	<p>Unless and until shareholder approval is obtained for the conversion of the Convertible Notes into shares, each Convertible Note is considered a debt instrument without conversion rights.</p> <p>Provided the Conversion Date is on or before the Drop Dead Date and the issue of the shares contemplated by the conversion has been approved by shareholders, all Convertible Notes will automatically be converted into shares in accordance with the following formula:</p> $\text{Number of shares} = \frac{(\text{Number of Notes being converted})}{0.015 (\text{Conversion Price})}$ <p>No later than 5 business days after the Conversion Date, the Company must issue the relevant shares to which a noteholder is entitled on conversion of the Convertible Notes.</p>
<b>Conversion Price</b>	\$0.015 per Convertible Note
<b>Redemption</b>	<p>If shareholder approval is not obtained for the issue of the shares on conversion of the Convertible Notes, then the Company must, on the 30<sup>th</sup> day after the Drop Dead Date, redeem all Convertible Notes and pay to each noteholder the face value of the Convertible Notes redeemed plus any interest deemed to have accrued less, however, any Approved Deductions (as defined below).</p> <p>An approved deduction is equal to the aggregate amount paid by the Company on account of agreed expenditure incurred by Resource Capital Limited towards the purchase of suitable energy, resources and/or infrastructure assets and projects, divided by the number of convertible notes on issue (<b>Approved Deduction</b>).</p> <p>If any Event of Default (as defined below) occurs, the Company may, and must if requested in writing by the noteholders of at least 51% of the aggregate face value of the Convertible Notes then outstanding, on the 30<sup>th</sup> day after an Event of Default occurs, redeem all Convertible Notes and pay to each noteholder an amount equal to 100% of the face value of the Convertible Notes redeemed less, however, the Approved Deduction.</p>
<b>Quotation</b>	The Convertible Notes will not be quoted.
<b>Event of Default</b>	<p>There will be an event of default if either of the following occurs:</p> <p>(a) The Company becomes insolvent; or</p>

- (b) The Company fails to remedy any breach of a covenant or undertaking given under the Convertible Note terms and conditions, including the obligation on the Company to obtain shareholder approval, and that breach continues unremedied for a period of 15 days after a demand from a noteholder for the breach to be remedied has been received by the Company.

### **Conversion adjustments**

If the Company makes any pro rata issue or other equivalent offer or invitation of shares or other securities to shareholders, then the Company will make the same offer that the noteholder would have received if, immediately before the date of entitlement to the new issue, the noteholder had converted all the Convertible Notes to shares.

If, while the Convertible Note remains capable of being converted, there is a bonus issue to shareholders, the number of shares to be issued on conversion of the Convertible Notes will be increased by the number of shares which the noteholder would have received if the Convertible Notes had been converted immediately before the record date for such bonus issue.

If, at any time there is a reconstruction (including but not limited to any consolidation, subdivision, reduction, reclassification, return or on-market buy-back) then:

- (a) the Conversion Price will be adjusted by the Company accordingly;
- (b) the Convertible Notes will be reconstructed on the same basis and the face value will be adjusted by the Company accordingly.

### **Transferable**

The Convertible Notes may only be transferred:

- (a) with the Company's prior written consent; or
- (b) to a person in circumstances that would not require the Company to issue any form of prospectus or other disclosure document under the Corporations Act in Australia or in any other jurisdiction.