



**ABN 20 109 361 195**

**NOTICE OF ANNUAL GENERAL MEETING**

**&**

**EXPLANATORY STATEMENT**

**To be held**

at 3.00pm on Friday, 25 November 2016

**at**

Suite 8, 7 The Esplanade, Mt Pleasant, WA 6153



ABN 20 109 361 195

Suite 6, 7 The Esplanade Mt Pleasant  
WA 6153 Australia

Tel: 618 9316 9100  
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18<sup>th</sup> October 2016

Dear Fellow Alloy Shareholder,

Please find enclosed the Notice of Annual General Meeting for the Shareholders' Meeting to be held at Suite 8, 7 The Esplanade, Mt Pleasant, WA 6153 at 3.00pm on Friday, 25 November 2016.

The purpose of the meeting is to conduct the annual business of the Company, being consideration of the annual financial statements, the remuneration report and in addition seek shareholder approval in accordance with the Corporations Act 2001 and the Listing Rules of the ASX to a number of resolutions, which are set out in the attached Notice of Meeting paper.

Your Directors seek your support and look forward to your attendance at the meeting.

Yours sincerely

**Andrew Viner**  
Executive Chairman

**ALLOY RESOURCES LIMITED**  
ABN 20 109 361 195  
**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Alloy Resources Limited will be convened at 3.00pm on Friday, 25 November 2016 at Suite 8, 7 The Esplanade, Mt Pleasant WA 6153.

**AGENDA**

**1. Discussion of Financial Statements and Reports**

To discuss the Financial Report, the Directors' Report and Auditor's Report for the year ended 30 June 2016.

**2. Adoption of the Remuneration Report**

To consider, and if thought fit, to pass, with or without modification, the following resolution as a non-binding resolution:

*"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2016."*

**3. Election of Director – Mr Andre Marschke**

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

*"That Mr Andre Marschke who retires by rotation in accordance with the company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."*

**4. Approval of the issue of equity securities up to 10% of the issued capital**

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

*"That, for the purpose of Listing Rule 7.1A and all other purposes, the Company approves the allotment and issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."*

**5. Ratification of Prior Issues of Equity Securities – Share Placements 7.1**

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

*"That, for the purpose of ASX Listing Rule 7.4, and for all other purposes Shareholders ratify the allotment and issue of 88,906,147 Shares on the terms and conditions set out in the Explanatory Statement."*

**6. Ratification of Prior Issues of Equity Securities – Share Placements 7.1A**

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

*"That, for the purpose of ASX Listing Rule 7.4, and for all other purposes Shareholders ratify the allotment and issue of 31,093,853 Shares on the terms and conditions set out in the Explanatory Statement."*

**7. Approval of the Grant of Options to Director – Mr Andrew Viner**

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

*"That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 5,000,000 options to Mr Andrew Viner to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement."*

**8. Approval of the Grant of Options to Director – Mr Kevin Hart**

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

*"That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 2,000,000 options to Mr Kevin Hart to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement."*

**9. Adoption of Alloy Resources Limited Incentive Option Plan**

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

*"That, for the purpose of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an incentive option scheme known as the "Alloy Resources Limited Incentive Option Plan" the terms of which are annexed as Schedule 1 of the Explanatory Statement accompanying this Notice of Meeting."*

**ALLOY RESOURCES LIMITED**  
ABN 20 109 361 195  
**NOTICE OF ANNUAL GENERAL MEETING**

**GENERAL NOTES**

1. With respect to Agenda Item 2, the vote on this item is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

**The Chairman of the meeting intends to vote undirected proxies that are able to be voted, in favour of the adoption of the remuneration report.**

2. **Voting Prohibition Statement:**

A restricted Voter means Key Management Personnel and their closely related parties.

The Company will disregard any votes cast on Agenda Item 2, 7 and 8 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, a Restricted Voter who is appointed as a proxy will not vote on Agenda Item 2, 7 and 8:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 2, 7a and 8. Shareholders may also choose to direct the Chair to vote against Agenda Item 2, 7 and 8 or to abstain from voting.

3. **Voting Exclusions:**

- The Company will disregard any votes cast on Agenda Items 4 - by any person who may participate in the proposed issue and a person who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed.  
However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.
- The Company will disregard any votes cast on Agenda Item 5 and 6 by any person who participated in the security issues and any of their associates.  
However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.
- The Company will disregard any votes cast on Agenda Item 7 by Mr Andrew Viner and any of his associates.  
However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.
- The Company will disregard any votes cast on Agenda Item 8 by Mr Kevin Hart and any of his associates.  
However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.
- The Company will disregard any votes cast on Agenda Items 9 - by any person who may participate in the plan 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.  
However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.

4. **Explanatory Statement**

The Explanatory Statement to Shareholders attached to this Notice of Annual General Meeting is hereby incorporated into and forms part of this Notice of Annual General Meeting.

**ALLOY RESOURCES LIMITED**  
ABN 20 109 361 195  
**NOTICE OF ANNUAL GENERAL MEETING**

**5. Voting by Proxy**

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

**6. Voting Entitlement**

The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of attending and voting at the meeting, Shares will be taken to be held by the registered holders at 5.00pm on 24<sup>th</sup> November 2016.

**BY ORDER OF THE BOARD**



Kevin R Hart  
COMPANY SECRETARY  
Dated this 18<sup>th</sup> day of October 2016.

## EXPLANATORY STATEMENT

The purpose of the Explanatory Statement is to provide shareholders with information concerning all of the Agenda items in the Notice of Annual General Meeting.

### 1. Discussion of Financial Statements & Reports

Alloy Resources Limited's financial reports and the directors' declaration and reports and the auditor's report are placed before the meeting thereby giving shareholders the opportunity to discuss those documents and to ask questions. The auditor will be attending the Annual General Meeting and will be available to answer any questions relevant to the conduct of the audit and his report.

### 2. Adoption of Remuneration Report

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under the Corporations Act if at least 25% of the votes cast on the resolution to Agenda Item 2 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's next Annual General Meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the Company's Annual General Meeting. All of the Directors who were in office when the Company's Directors' report was approved, other than the Managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The proportion of votes cast against the adoption of the 2015 Remuneration Report was less than 1% of the total votes cast. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2016.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

The Board considers that its current practices of setting executive and non-executive remuneration are within normal industry expectations, and provides an effective balance between the need to attract and retain the services of the highly skilled key management personnel that the Company requires. As such the directors recommend that shareholders vote in favour of the resolution to Agenda Item 2.

### Definitions

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (**Cth**).

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2016.

**EXPLANATORY STATEMENT**

**3. Election of Mr Andre Marschke**

Andre has over 15 years' experience in financial markets. He was formerly a Stockbroker with Smith Barney Citigroup, Hartleys and Pembroke Josephson and Wright and then became a joint founder of Scintilla Capital Pty Ltd a boutique investment advisory business based in Queensland. He holds a Bachelor of Economics degree from the University of Queensland, a Graduate Diploma in Applied Finance and a Graduate Diploma in Technical Analysis from the Securities Institute of Australia.

The directors recommend that the shareholders vote in favour of the appointment of Mr Andre Marschke.

**4. Approval to Issue up to 10% Placement Capacity**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital over a 12 month period after the Annual General Meeting at which a resolution for the purposes of Listing Rule 7.1A is passed by special resolution (**Additional 10% Placement Capacity**). The Additional 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An entity will be eligible to seek approval under Listing Rule 7.1A if: (a) the entity has a market capitalisation of \$300 million or less; and (b) the entity that is not included in the S&P ASX 300 Index. The Company is an eligible entity for the purposes of Listing Rule 7.1A.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$5,701,661, being 712,707,646 ordinary shares at \$0.008.

The number of Equity Securities to be issued under the Additional 10% Placement Capacity will be determined in accordance with the formula set out in Listing Rule 7.1A.2.

The Company is putting Agenda Item 4 to Shareholders to seek approval to issue additional Equity Securities under the Additional 10% Placement Capacity.

This Resolution does not mean that the Company will necessarily utilise the 10% Additional Placement Capacity. Rather, capital markets have recently been in a state of fluctuation and the Directors acknowledge that they may need to act quickly to raise funds when favourable markets emerge. The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities. Under these circumstances, the Additional 10% Placement Capacity will provide flexibility for the Company to issue additional securities, in the event that the Directors determine that the issue of the additional securities is in the interests of the Shareholders and the Company in achieving its objectives.

**Listing Rule 7.1A**

The effect of Agenda Item 4 will be to permit the Company to issue the Equity Securities under Listing Rule 7.1A during the Additional Placement Period (as defined below) without using the Company's 15% placement capacity under Listing Rule 7.1.

Equity Securities issued under the Additional 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice the Company has only Shares on issue as quoted securities.

At the date of this Notice the Company has 712,707,646 Shares on issue and therefore, subject to Shareholder approval being sought under Agenda Item 4. Shareholders should note that the calculation of the number of Equity Securities permitted to be issued under the Additional 10% Placement Capacity is a moving calculation and will be based the formula set out in Listing Rule 7.1A.2 at the time of issue of the Equity Securities. The table on the page below demonstrates various examples as to the number of Equity Securities that may be issued under the Additional 10% Placement Capacity.

The resolution the subject of Agenda Item 4 is a special resolution, requiring approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) in order to be passed.

## EXPLANATORY STATEMENT

### 4. Approval to Issue up to 10% Placement Capacity (continued)

#### Specific information required by Listing Rule 7.3A

The following information in relation to the Equity Securities to be issued is provided to Shareholders for the purposes of Listing Rule 7.3A:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If the resolution the subject of Agenda Item 4 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Capacity, the existing Shareholders' economic and voting interests in the Company will be diluted. There is also a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date of the Equity Securities.

The table below shows the dilution of existing Shareholders of the issue of the maximum number of Equity Securities under the Additional 10% Placement Capacity using different variables for the number of ordinary securities for variable "A" (as defined in Listing Rule 7.1A) and the market price of Shares. It is noted that variable "A" is based on the number of ordinary securities the Company has on issue at the time of the proposed issue of Equity Securities.

The table shows:

- (i) examples of where variable "A" is at its current level, and where variable "A" has increased by 50% and by 100%;
- (ii) examples of where the issue price of ordinary securities is the current market price as at close of trade on 14 October 2016 (current market price), where the issue price is halved, and where it is doubled; and
- (iii) the dilutionary effect will always be 10% if the maximum number of Equity Securities that may be issued under the Additional 10% Placement Capacity are issued.

Variable 'A'	Number of Shares issued and funds raised under the Additional 10% Placement Capacity and dilution effect	Dilution		
		\$0.004 Issue Price at half the current market price	\$0.008 Issue Price at current market price	\$0.016 Issue Price at double the current market price
Current Variable A 712,707,646 Shares	Shares issued	71,270,765	71,270,765	71,270,765
	Funds raised	\$285,083	\$570,166	\$1,140,332
	Dilution	10%	10%	10%
50% increase in current Variable A 1,069,061,469 Shares	Shares issued	106,906,147	106,906,147	106,906,147
	Funds raised	\$427,625	\$855,249	\$1,710,498
	Dilution	10%	10%	10%
100% increase in current variable A 1,425,415,292 Shares	Shares issued	142,541,529	142,541,529	142,541,529
	Funds raised	\$570,166	\$1,140,332	\$2,280,664
	Dilution	10%	10%	10%

Note: this table assumes:

- (i) No Options or Performance Rights are exercised before the date of the issue of the Equity Securities;
- (ii) The Company issues the maximum number of Equity Securities under the Additional 10% Placement Capacity and the Equity Securities issues consists only of Shares;



**EXPLANATORY STATEMENT**

**4. Approval to Issue up to 10% Placement Capacity (continued)**

- (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholders holding at the date of the Annual General Meeting;
- (iv) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

- (c) Approval of the Additional 10% Placement Capacity will be valid from the date of the Annual General Meeting and will expire on the earlier of:

- (i) the date that is 12 months after the date of the Annual General Meeting; and
  - (ii) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

- (d) The Company may seek to issue the Equity Securities for the following purposes:

- (i) As cash consideration. If Equity Securities are issued for cash consideration, the Company intends to use the funds to advance the company's exploration projects, fund other potential acquisition or exploration opportunities that may arise and provide working capital; or
  - (ii) As non-cash consideration for the acquisition of new assets. If Equity Securities are issued for non-cash consideration, the Company will comply with the minimum issue price limitation under Listing Rule 7.1A.3 in relation to such issue and will release the valuation of the non-cash consideration to the market.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- (e) The Company's allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s). Securities allotted pursuant to the allocation policy will be determined following consideration of a number of factors including, but not limited to, the following matters:

- (i) the ability of the Company to raise funds at the time of the proposed issue of Equity Securities;
  - (ii) the dilutionary effect of the proposed issue of the Equity Securities on existing Shareholders at the time of proposed issue of Equity Securities;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from its professional advisers, including corporate, financial and broking advisers (if applicable).

At the date of this Notice, the Company has not formed an intention as to whether the securities will be offered to existing security holders, or to any class or group of existing security holders, or whether the securities will be offered exclusively to new investors that have not previously been security holders of the Company. The Company will give consideration before making any placement of securities under Listing Rule 7.1A whether the raising of any funds under such placement could be carried out in whole, or in part, by an entitlements offer to existing security holders.

The allottees under the Additional 10% Placement Capacity have not been determined as at the date of this Notice but will not include related parties (or their associates) of the Company.

- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not determined its allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity. The Company has not approached, and has not yet determined to approach, any particular existing security holders or an identifiable class of existing security holders to participate in an offer under the Additional 10% Placement Capacity, and therefore no Shareholder will be excluded from voting on Agenda Item 4.

- (g) Previous Approval under ASX Listing Rule 7.1A

The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its 2015 Annual General Meeting.

The Company has issued 62,193,759 securities pursuant to Listing Rule 7.1A approvals. Note: 31,099,906 securities were issued on 2 November 2015 under approval obtained at the 2014 Annual General Meeting.

During the 12 month period prior to the date of this notice, the Company otherwise issued a total of 157,806,241 Shares. The total amount of 220,000,000 shares represents approximately 35.2% of the total diluted number of Equity Securities on issue in the Company on 30 November 2015, being 624,350,467.

**ALLOY RESOURCES LIMITED**

ABN 20 109 361 195

**EXPLANATORY STATEMENT****4. Approval to Issue up to 10% Placement Capacity (continued)**

Information relating to issues of Equity Securities by the Company in the 12 months prior to the date of this Notice is as follows:

<b>Date of Appendix 3B</b>	<b>Number of Equity Securities</b>	<b>Class of Equity Securities and summary of terms</b>	<b>Names of recipients or basis on which recipients determined</b>	<b>Issue price of Equity Securities and discount to Market Price<sup>1</sup> on the trading day prior to the issue</b>	<b>If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds  If issued for non-cash consideration – a description of the consideration and the current value of the consideration</b>
2 November 2015	100,000,000	Note 1	Sophisticated and professional investors, none of whom were related parties of the Company	\$0.007 per share	\$700,000 cash  The funds available, \$656,772, after deducting the costs of the issue were used to fund exploration and evaluation programs at the Company's projects and for working capital purposes. At the date of this Notice there are no remaining funds.
27 April 2016	120,000,000	Note 1	Sophisticated and professional investors, none of whom were related parties of the Company	\$0.011 per share	\$1,320,000 cash  The funds available, \$1,228,387, after deducting the costs of the issue have been principally be used to fund the Company's 40% contribution to the Joint Venture expenditure at the Horse Well Gold Project, as well as exploration and programs at the Company's other projects and for working capital purposes. At the date of this Notice approximately \$790,000 of these funds remain available which will be used to fund the company's share of Horse Well J/V expenditure and working capital.

Notes: Fully paid ordinary shares in the capital of the Company, ASX Code: AYR (terms are set out in the Constitution).

**Directors Recommendation**

The Board recommends Shareholders vote in favour of Agenda Item 4.

**5. Resolutions 5 & 6 - Ratification of a Prior Issue of Securities****5.1 Background**

On 27 April, 2016, the Company announced that it had issued 120,000,000 Shares to sophisticated investors at an issue price of \$0.011 to raise \$1,320,000 (before costs) ("Placement"). Bell Potter Securities Limited acted as lead manager to the placement.

**5.2 Listing Rules Chapter 7**

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

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

**EXPLANATORY STATEMENT**

**5. Resolutions 5 & 6 - Ratification of a Prior Issue of Securities (continued)**

**5.2 Listing Rules Chapter 7 (continued)**

By ratifying the issue of the Shares the subject of Resolutions 5 and 6, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, and the 10% placement capacity under Listing Rule 7.1A, without the requirement to obtain prior Shareholder approval.

**5.3 Resolutions 5 and 6 are ordinary resolutions. Agenda Item 5 and 6 - Ratification of a prior issue of securities**

**Information Required by Listing Rule 7.5**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Shares the subject of Agenda Item 5:

- (a) 88,906,147 Shares were issued at an issue price of \$0.011 per Share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act.
- (d) The funds raised from the issue (being in total \$977,968 (before costs)) will be used to principally fund the Company's 40% contribution to Joint Venture expenditure at the Horse Well Gold Project, as well as exploration and evaluation programs at the Company's other projects and for working capital purposes.

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Shares the subject of Agenda Item 6:

- (a) 31,093,853 Shares were issued at an issue price of \$0.011 per Share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act.
- (d) The funds raised from the issue (being in total \$342,032 (before costs)) will be used to principally fund the Company's 40% contribution to Joint Venture expenditure at the Horse Well Gold Project, as well as exploration and evaluation programs at the Company's other projects and for working capital purposes.

**6 Resolution 7 and 8 - Approval of the Grant of Incentive Options to Directors – Mr Andrew Viner and Mr Kevin Hart**

Resolutions 7 and 8 seek Shareholder approval to allow the Company to issue 5,000,000 Options to Mr Andrew Viner, Executive Chairman (or his nominee) and 2,000,000 Options to Mr Kevin Hart, one of the Non-Executive Directors of the Company, (or his nominee).

The number of Incentive Options to be granted to each of the Participating Directors has been determined based upon a consideration of:

- (a) the remuneration / fees of the Participating Directors;
- (b) the Directors' wish to ensure that the remuneration / fees offered is competitive with market standards. The Directors have considered the proposed number of Incentive Options to be granted will ensure that the Participating Directors' overall remuneration / fees is in line with market standards; and
- (c) incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise.

**Listing Rule 10.11 and Corporations Act Chapter 2E**

Listing Rule 10.11 provides that a Company must not issue equity securities (including options) to a related party of the company, such as a director, without the Company obtaining its Shareholders approval. If Shareholder approval is given under Listing Rule 10.11, Listing Rule 7.2, Exception 14 provides that approval is not required under Listing Rule 7.1.

The grant of Options to Mr Viner and Mr Hart, and the potential allotment and issue of Shares pursuant to the same will constitute the giving of a financial benefit to a related party of the Company, for which Shareholder approval is usually required pursuant to Section 208 of the Corporations Act.

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**EXPLANATORY STATEMENT****6 Agenda Item 7 and 8 - Approval of the Grant of Incentive Options to Directors – Mr Andrew Viner and Mr Kevin Hart (continued)**

There are various exceptions to the requirement for Shareholder approval. This includes, in accordance with Section 211 of the Corporations Act, where the benefit is remuneration to a related party as an officer or employee of the Company, and to give the remuneration would be reasonable given:

- the circumstances of the Company in giving the remuneration; and
- the related party's circumstances (including the responsibilities involved in the office or employment)

The Board is of the view that the exception in Section 211 of the Corporations Act is relevant to the financial benefits to be granted to Mr Andrew Viner and Mr Kevin Hart under their engagement as Officers of the Company. Further, the Board believes that the financial benefits available to Mr Viner and Mr Kevin Hart pursuant to the proposed grant of Options are commensurate with the responsibilities and performance levels expected of them.

Accordingly, the Company is not seeking the approval of Shareholders under Section 208 of the Corporations Act.

The following information is provided to Shareholders to allow them to assess the proposed resolution:

**(a) The related party to whom the proposed resolution would permit the financial benefit to be given.**

Subject to Shareholder approval, the Incentive Options will be granted to Mr Andrew Viner, Executive Chairman and Mr Kevin Hart, Non-Executive Director, or their respective nominees.

**(b) Nature of the Financial Benefit**

The proposed financial benefit to be given is the grant of 5,000,000 unlisted options to Mr Viner and 2,000,000 unlisted options to Mr Kevin Hart, for no consideration, to subscribe for fully paid ordinary shares in the capital of the company.

The exercise price and expiry date of the Incentive Options are as follows:

<i>Director</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
Andrew Viner	5,000,000	200% of the 5 day vwap on the day prior to grant of the Options	3 years from the date of grant of the Options
Kevin Hart	2,000,000	200% of the 5 day vwap on the day prior to grant of the Options	3 years from the date of grant of the Options

The Incentive Options will have an expiry dates as disclosed in the table above and will be issued in accordance with terms and conditions as set out in Schedule 1 of this Explanatory Statement.

The Directors of the Company consider the indicative theoretical value attributable to the Incentive Options at a valuation date of 14 October 2016 to be as follows, notwithstanding that the Incentive Options will not be issued until after 25 November 2016 being the date of the Annual General Meeting of the Shareholders of the company.

<i>Director</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Theoretical Value</i>
Andrew Viner	1.6 cents	25 November 2016	6.1 cents
Kevin Hart	1.6 cents	25 November 2016	6.1 cents

The Black and Scholes option valuation methodology was used by HLB Mann Judd Corporate (WA) Pty Ltd as a basis for the calculations using the following assumptions:

The share price of a fully paid Share as at the valuation date of 14 October 2016 was \$0.008.

The risk free interest rate used was 1.74% (based on the 3 year Reserve Bank treasury bond rates respectively as at 14 October 2016).

A volatility factor of 157.6% was used to value the options as determined using the daily closing share prices for the last 12 months.

The Black and Scholes option pricing model assumes that the Incentive Options the subject of the valuation can be sold on a secondary market. The terms and conditions of the proposed Incentive Options state that the Incentive Options shall not be listed for official quotation on ASX. In addition, the Incentive Options are not transferable. Accordingly, in determining the indicative value of the Incentive Options the Company has applied a 30% discount to the theoretical value of attributed to the Black and Scholes option pricing model.

**ALLOY RESOURCES LIMITED**

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**EXPLANATORY STATEMENT****6 Agenda Item 7 and 8 - Approval of the Grant of Incentive Options to Directors – Mr Andrew Viner and Mr Kevin Hart (continued)****(b) Nature of the Financial Benefit (continued)**

Based on the above assumptions, the value of the 7,000,000 Incentive Options using the indicative values attributed is as follows:

<i>Director</i>	<i>Theoretical Value per Option (cents)</i>	<i>Discount (%)</i>	<i>Indicative value per Option (cents)</i>	<i>Number of Options issued</i>	<i>Total value (\$)</i>
Andrew Viner	6.1	30%	4.3	5,000,000	\$21,500
Kevin Hart	6.1	30%	4.3	2,000,000	\$8,600

Any change in the variables applied in the Black and Scholes calculation between the date of the valuation and the date the Incentive Options are granted would have an impact on their value.

**(c) Directors Recommendation**

Mr Marschke and Mr Hart (who have no interest in the outcome of Agenda Item 7) recommend that Shareholders vote in favour of Agenda Item 7 as they believe the issue of the Incentive Options to Mr Viner (or his nominee) is in the best interests of the Company because the Incentive Options provide Mr Viner with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain Mr Viner's professional services at reasonable market rates.

Mr Viner declines to make a recommendation on Agenda Item 7 because he has a material personal interest in the outcome of the Resolution, on the basis that he (or his nominee) is to be granted Incentive Options should the Resolution be passed.

Mr Marschke and Mr Viner (who have no interest in the outcome of Agenda Item 8) recommend that Shareholders vote in favour of Agenda Item 8 as they believe the issue of the Incentive Options to Mr Kevin Hart is in the best interests of the Company because the Incentive Options provide Mr Kevin Hart with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain Mr Kevin Hart's professional services at reasonable market rates.

Mr Hart declines to make a recommendation on Agenda Item 8 because he has a material personal interest in the outcome of the Resolution, on the basis that he (or his nominee) is to be granted Incentive Options should the Resolution be passed.

**(d) Directors Interest**

Mr Viner has a personal interest in the outcome of the resolution the subject of Agenda Item 7.

Mr Kevin Hart has a personal interest in the outcome of the resolution the subject of Agenda Item 8.

With the exception of Mr Viner and Mr Kevin Hart, no other Director has a personal interest in the outcome of the resolutions.

**(e) Terms and Conditions of Options**

The terms and conditions of the Incentive Options proposed to be granted to the Participating Directors are included at Schedule 1

The Incentive Options will also have the following specific terms:

1. the key terms, as set out in Section 6(b) above; and
2. the benefit of the cashless exercise facility on the terms and conditions set out in Schedule 1.

# ALLOY RESOURCES LIMITED

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## EXPLANATORY STATEMENT

### 6 Agenda Item 7 and 8 - Approval of the Grant of Incentive Options to Directors – Mr Andrew Viner and Mr Kevin Hart (continued)

#### (f) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors

The Incentive Options form part of the Company's long term incentive for employees and are to be granted in addition to the total fixed remuneration/fees set out below. The exercise price of the Incentive Options is linked to improved share price performance. Importantly, this provides ongoing incentive to increase shareholder value over time and the exercise price reflects levels in excess of the current market price of the Company's Shares.

Exercise of the Incentive Options is allowable immediately after issue, but only likely to occur if there is sustained upward movement in the Company's Share price.

The number of Incentive Options to be issued to Mr Viner and Mr Kevin Hart has been determined based on the reasons outlined in the director's recommendation to shareholders at item (c). The number of Incentive Options has also been determined having regard to less tangible issues such as alignment of interests to the Company.

The Incentive Options shall be granted free to Mr Viner and Mr Kevin Hart (or their respective nominees) and will be issued within one month of the date of the meeting.

If the Incentive Options proposed to be granted to Mr Viner and Mr Kevin Hart (or their nominee) under Agenda Items 7 and 8 are exercised, the Company's issued Share capital would increase by a maximum of 7,000,000 Shares to a total of issued Share capital of 719,707,646 Shares (assuming no other Shares are issued or outstanding Options are exercised), and will represent a maximum of approximately 0.98% of the total issued capital of the Company on a fully diluted basis. The maximum dilution stated is calculated based on all of the Incentive Options being exercised by payment of the exercise price in full.

Australian International Financial Reporting Standards require the Director Options to be expensed in accordance with AASB 2 – Share Based Payments. The Incentive Options will vest on issue. Accordingly, the Director Options are expected to be expensed in the financial year they are granted. Expensing the Director Options will have the effect of increasing both the expenses and the contributed equity of the Company. There will be no impact on the net assets or the cash position or financial resources of the Company as a result of expensing the Director Options.

There are no tax implications for the Company in issuing the Incentive Options.

The Incentive Options proposed to be granted under Agenda Item 7 and 8 are subject to cashless exercise provisions. Should Mr Viner or Mr Kevin Hart elect to utilise the cashless exercise provisions this would result in a lesser number of shares to be issued, and a reduction in the funds receivable by the Company, on the exercise of the Incentive Options.

As at 14 October 2016 the issued capital of the Company comprised the following Shares and Options:

712,707,646	Ordinary fully paid shares.
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Number of Options	Exercise Price	Expiry Date
7,000,000	1.5 cents	30 November 2016
2,000,000	1.6 cents	30 November 2017

The following table sets out Mr Viner's and Mr Kevin Hart's current interest in Shares and Options in the Company:

Director	Relevant Interest in Shares	Relevant Interest in Options		
		Number of Options	Exercise Price	Expiry Date
Andrew Viner	28,161,799	5,000,000	1.5 cents	30 November 2016
Kevin Hart	8,811,458	2,000,000	1.5 cents	30 November 2016

**EXPLANATORY STATEMENT**

**6 Agenda Item 7 and 8 - Approval of the Grant of Incentive Options to Directors – Mr Andrew Viner and Mr Kevin Hart (continued)**

**(f) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (continued)**

Details of the nature and amount of each major element of the emoluments of Mr Viner and Mr Kevin Hart for the financial year ended 30 June 2016, as detailed in the 2016 Annual Financial Statements is as follows:

<i>Director</i>	<i>Base Remuneration</i> \$	<i>Superannuation</i> \$	<i>Value of Options</i> \$	<i>Total</i> \$
Andrew Viner	119,189	11,323	nil	130,512
Kevin Hart	17,333	-	nil	17,333

The market price of the Company's Shares during the term of the Options will ordinarily determine whether or not option holders exercise their Options.

If the market price of the Company's Shares is in excess of the exercise price of the Options it is likely that the Options will be exercised. A benefit would accrue on the exercise of the Options by the payment of the amount determined under this Notice and the sale of the Shares for an amount in excess of these amounts.

In the 12 months preceding the date of this Notice the highest and lowest market prices of the Company's Shares were as follows:

	Date	Closing price of Company's shares on ASX
Highest price	28 July and 15 March 2016	1.8 cents
Lowest Price	20 October 2015, 23 – 28 December 2015, 8 and 11 January 2016	0.05 cents

The closing market price of the Company's Shares on the day before the date of this Notice was:

Date	Closing price of Company's shares on ASX
14 October 2016	0.008 cents

All Shares issued pursuant to the exercise of Incentive Options under Resolution 7 and 8 will rank *pari passu* with the existing Shares on issue.

Information requirements pursuant to Listing Rule 10.13

In addition, the following information is provided in accordance with the notice requirements of Listing 10.13:

- (a) The Incentive Options will be granted to the Participating Directors, or their nominees, as noted in section 5(a) above;
- (b) the maximum number of Incentive Options to be granted is 7,000,000 Options:
  - pursuant to Agenda Item 7 up to 5,000,000 Incentive Options will be issued to Mr Viner or his nominee; and
  - pursuant to Agenda Item 8 up to 2,000,000 Incentive Options will be issued to Mr Kevin Hart or his nominee.

Details of the terms of the Incentive Options are as noted in section 6(e) above and Schedule 1;

- (c) the Incentive Options will be granted within 1 month after the date of the Annual General Meeting;
- (d) the Incentive Options will be granted for no consideration. As such, no funds will be raised by the grant of the Incentive Options;
- (e) voting exclusions apply to Agenda Items 6 and 7 are set out in the Notice of Meeting.

## ALLOY RESOURCES LIMITED

ABN 20 109 361 195

### EXPLANATORY STATEMENT

#### 6 Agenda Item 7 and 8 - Approval of the Grant of Incentive Options to Directors – Mr Andrew Viner and Mr Kevin Hart (continued)

##### (f) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (continued)

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass Resolutions 7 and 8.

#### 7. Adoption of Alloy Resources Limited Incentive Option Plan

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to the issue of shares, or securities convertible into shares, representing more than 15% of the issued capital of that company in any rolling 12 month period.

An exception to ASX Listing Rule 7.1 is set out in ASX Listing Rule 7.2 (Exception 9) which provides that issues under an employee incentive plan are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the plan as an exception to ASX Listing Rule 7.1.

Agenda Item 8 seeks Shareholder approval for the Company to grant options and the adoption of an incentive option scheme (Scheme) in accordance with Exception 9 of ASX Listing Rule 7.2.

If the resolution in Agenda Item 9 is passed, the Company will be able to issue Shares under the Scheme without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 3 year period.

Shareholders should note that the objective of the Scheme is to attract, motivate and retain key employees.

The Company's Incentive Option Scheme was adopted and last approved by shareholders on 28 November 2013. Since that date the following securities of the Company have been issued pursuant to the Scheme:

Options issued pursuant to the Scheme:	11,000,000
Options issued pursuant to the Scheme fully vesting:	11,000,000
Options issued pursuant to the Scheme lapsing unexercised:	(2,000,000)
Number of Ordinary shares issued on the exercise of Options pursuant to the Scheme:	-

It is considered by the Directors that the adoption of the Scheme and the future issue of Options under the Scheme will provide selected employees with the opportunity to participate in the future growth of the Company.

A summary of the terms and conditions of the Incentive Option Scheme is set out in Schedule 1.



## EXPLANATORY STATEMENT

**SCHEDULE 1 – TERMS AND CONDITIONS OF DIRECTOR INCENTIVE OPTIONS**

The following is a summary of the key terms and conditions of the options to be issued to participating Directors pursuant to Agenda items 7 and 8.

- (1) Each Option shall be issued free for no consideration.
- (2) The exercise price will be 200% of the VWAP of the Company's ordinary fully paid Shares for the five trading days prior to grant.
- (3) Each Option entitles the holder to subscribe for or be transferred or allocated one Share on exercise.
- (4) The Options will lapse at 5.00pm (AWST) on 25 November 2019.
- (5) The Options will not be listed for official quotation on the ASX.
- (6) The Options may not be transferred or assigned by an option holder except that the option holder may at any time transfer all or any of the Options to a spouse, family trust, or to a proprietary limited company, all of the issued Shares which are beneficially owned by the option holder or the spouse of the option holder.
- (7) There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to Shareholders during the currency of the Option.
- (8) However, option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing Shareholders of the Company made during the currency of the Options, and will be granted a period of at least five business days before books closing date to exercise the Options.
- (9) If there is a pro rata issue (except a bonus issue) to the holders of ordinary Shares, the exercise price of the Options may be reduced according to the formula set out in Listing Rule 6.22.
- (10) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (11) The Options can be exercised by the delivery to the registered office of the Company of an option exercise notice, accompanied by an option certificate, which nominates either "Traditional Exercise" or "Cashless Exercise" such that:
  - (a) (Traditional Exercise): if the option holder nominates Traditional Exercise, the option exercise notice must be accompanied by payment of the exercise price by cheque made payable to the Company for the subscription monies for the Shares; or
  - (b) (Cashless Exercise) In lieu of paying the aggregate Exercise Price to purchase Shares under clause 2.3(c), the Participant may elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):

$$A = \frac{B(C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Participant pursuant to this clause (11)(b);

B = the number of Shares otherwise issuable upon the exercise of the Option or portion of the Option being exercised;

C = the market value of one Share determined as of the date of delivery to the Company Secretary of the items referred to in Rules 11, and

D = the Exercise Price.

For example, if a Participant holds 50 Options (which have vested and are therefore capable of exercise), each with an Exercise Price of \$1.00 and they elect to exercise all of their Options by paying the Exercise Price, they would pay \$50 and receive 50 Shares. However, if the Participant elects their rights under the Cashless Exercise, and the Market Value of one Share prior to exercise is \$1.50, the Participant will pay no cash and receive 16 Shares (being  $50(\$1.50 - \$1.00)/\$1.50 = 16.67$ , rounded down to 16 Shares).

- (c) An exercise of only some Options will not affect the rights of the option holder to the balance of the Options held by them.
- (12) The Company must allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within ten business days of the exercise of the Options.
- (13) Shares allotted pursuant to an exercise of Options rank, from the date of allotment, equally with the existing ordinary Shares of the Company in all respects.
- (14) The Company will apply for official quotation with the ASX for all Shares issued, transferred or allocated upon exercise of any Option.
- (15) All unexercised Options will lapse upon the holder ceasing to be a Director or employee of the Company unless otherwise determined by the Board. Subject to any vesting conditions specified at the time of issue, the Options may be exercised at any time until the expiry date.

**ALLOY RESOURCES LIMITED**

ABN 20 109 361 195

**EXPLANATORY STATEMENT**

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**SCHEDULE 2 – TERMS AND CONDITIONS OF EMPLOYEE OPTION PLAN**

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1. GENERAL

- 1.1 No Option may be offered, granted or exercised and no Share may be issued under the Plan if to do so would contravene the Corporations Act, the ASX Listing Rules or any other applicable law, or would contravene the local laws or customs of an Eligible Participant's country of residence.
- 1.2 Each Option will entitle the holder to subscribe for and be allotted one Share.
- 1.3 Unless the Options are quoted on the ASX, Options issued under the Plan will be issued for no more than nominal cash consideration.
- 1.4 The option exercise price will be determined by the Board but will not be less than any minimum price specified in the ASX Listing Rules.
- 1.5 The Option may be made subject to vesting conditions as determined by the Board.
- 1.6 An offer for Options is personal and is not assignable, although a participant may nominate a nominee which the Board can accept at its discretion.
- 1.7 An Eligible Participant (or permitted Nominee) may accept an offer in whole or in part.
- 1.8 A certificate or holder statement will be issued for the options.

2. VESTING AND EXERCISE OF OPTIONS

- 2.1 Subject to Rules 2.2 and 2.3, an Option granted under the Plan will not vest and be exercisable unless the Vesting Conditions (if any) attaching to that Option have been satisfied.
- 2.2 The Board may resolve to waive any of the Vesting Conditions applying to Options due to:
  - a) Special Circumstances arising in relation to a Participant (or nominee) in respect of those Options;
  - b) a Change of Control occurring (Rule 5);
  - c) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company,

in which case Rule 2.3 applies.

- 2.3 A Participant may exercise any vested Option at any time after the Board notifies that the Option has vested and before it lapses by providing the Company with:
  - a) the certificate for the Options or, if the certificate for the Options has been lost, mutilated or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost, mutilated or destroyed;;
  - b) a notice stating that the Participant exercises the Options and specifying the number of Options which are exercised; and
  - c) subject to Rule 2.4, payment to the Company in cleared funds an amount equal to the Option Exercise Price multiplied by the number of Options which are being exercised.
- 2.4 In lieu of paying the aggregate Exercise Price to purchase Shares under clause 2.3(c), the Participant may elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):

$$A = \frac{B(C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Participant pursuant to this clause (11)(b);

B = the number of Shares otherwise issuable upon the exercise of the Option or portion of the Option being exercised;

## ALLOY RESOURCES LIMITED

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### EXPLANATORY STATEMENT

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#### SCHEDULE 2 – TERMS AND CONDITIONS OF EMPLOYEE OPTION PLAN (CONT'D)

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C = the market value of one Share determined as of the date of delivery to the Company Secretary of the items referred to in Rules 2.3(a) and (b) , and

D = the Exercise Price.

For example, if a Participant holds 50 Options (which have vested and are therefore capable of exercise), each with an Exercise Price of \$1.00 and they elect to exercise all of their Options by paying the Exercise Price, they would pay \$50 and receive 50 Shares. However, if the Participant elects their rights under the Cashless Exercise, and the Market Value of one Share prior to exercise is \$1.50, the Participant will pay no cash and receive 16 Shares (being  $50(\$1.50 - \$1.00)/\$1.50 = 16.67$ , rounded down to 16 Shares).

- 2.5 Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of Options in any parcel is not less than a Marketable Parcel.

#### 3. ISSUE OF SHARES

- 3.1 If the items specified in Rule 2.3 are delivered in accordance with that Rule, the Company will, subject to the Corporations Act, the ASX Listing Rules, this Plan and any applicable Offer:
- a) within 10 Business Days of delivery of the documents issue to the Participant the Shares credited as being fully paid, together with any additional Shares an entitlement to which has arisen under Rule 6 in consequence of the exercise of the Options; and
  - b) cancel the certificate delivered pursuant to Rule 2.3 and deliver to the Participant a replacement certificate reflecting the number of those Options which remain unexercised.
- 3.2 Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 3.3 The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of options listed for Official Quotation, if the shares of the same class are quoted on the ASX at the time.
- 3.4 Subject to Rule 3.5, there will be no transfer restrictions on Shares issued under the Plan unless the sale, transfer or disposal of the Shares would require the preparation of a disclosure document (as that term is defined in the Corporations Act).
- 3.5 The Board may determine at any time up until exercise of Options, that a restriction period will apply to some or all of the Shares issued on exercise of Options (Restricted Shares), up to a maximum of seven (7) years from the Grant Date of the Options (Restriction Period). During the Restriction Period, the Participant must not dispose or deal with the Restricted Shares.

#### 4. LAPSE OF OPTIONS

- 4.1 An Option will lapse upon the earlier to occur of:
- a) an unauthorised dealing in, or hedging of, the Option occurring;
  - b) a Vesting Condition is not satisfied by the due date, or becomes incapable of satisfaction, as determined by the Board, unless the Board exercises its discretion to waive the Vesting Condition;

EXPLANATORY STATEMENT

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**SCHEDULE 2 – TERMS AND CONDITIONS OF EMPLOYEE OPTION PLAN CONT'D**

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- c) in respect of unvested Options only, a Relevant Person ceases to be an Eligible Participant, unless the Board:
  - i. exercises its discretion to vest the Option under a Vesting Condition Exception; or
  - ii. resolves to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
  - iii. in respect of vested Options only, a Relevant Person ceases to be an Eligible Participant and the Option granted in respect of that Relevant Person is not exercised within one (1) month (or such later date as the Board determines) of the date the Relevant Person ceases to be an Eligible Participant;
- d) the Board deems that an Option lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
- e) the Board deems that the Participant becomes ineligible to hold his or her office due to Part 2D.6 of the Corporations Act;
- f) the Company undergoes a Change of Control or a winding up resolution or order is made; and
- g) the Expiry Date of the Option.

5. CHANGE IN CONTROL EVENT

5.1 A Change in Control event occurs when:

- (a) a bona fide Takeover Bid is declared unconditional and the bidder has acquired a Relevant Interest in at least 50.1% of the Company's issued Shares;
- (b) a court approves under the Corporations Act, a proposed compromise or arrangement for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
- (c) in any other case, a person obtains Voting Power in the Company which the Board determines is sufficient to control the composition of the Board.

5.2 If a company obtains control of the Company as a result of a Change of Control and both the Company and the Acquiring Company agree, a Participant may, in respect of any vested Options that are exercised, be provided with shares of the Acquiring Company, or its parent, in lieu of Shares, on substantially the same terms and subject to substantially the same conditions as the Shares, but with appropriate adjustments to the number and kind of shares subject to the Options.

6. PARTICIPATION RIGHTS

6.1 Participation rights are as follows:

- (a) 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.
- (b) An Option does not confer the right to a change in Exercise Price or in the number of underlying Shares over which the Option can be exercised.
- (c) The Company will ensure that the record date will be at least six (6) Business Days after the issue is announced.
- (d) Until Options are exercised and the Participant holds Shares, a Participant who is not a Shareholder is not entitled to vote or attend a meeting of the Shareholders and is not entitled to receive any dividends declared.

If at any time the capital of the Company is reorganised, the terms of the Options will be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.



# ALLOY RESOURCES LIMITED

ACN: 109 361 195

REGISTERED OFFICE:  
SUITE 8  
7 THE ESPLANADE  
MOUNT PLEASANT WA 6153



**SHARE REGISTRY:**  
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W: www.securitytransfer.com.au

Code:

Holder Number:

## PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

### VOTE ONLINE

Lodge your proxy vote securely at [www.securitytransfer.com.au](http://www.securitytransfer.com.au)  
1. Log into the Investor Centre using your holding details.  
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

### SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐ The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 3:00pm WST on Friday 25 November 2016 at Suite 8, 7 The Esplanade, Mt Pleasant, WA 6153 and at any adjournment of that meeting.

### SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

#### RESOLUTION

	For	Against	Abstain*
1. Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Election of Director - Mr Andre Marschke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval of the issue of equity securities up to 10% of the issued capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of Prior Issues of Equity Securities - Share Placements 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ratification of Prior Issues of Equity Securities - Share Placements 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of the Grant of Options to Director - Mr Andrew Viner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of the Grant of Options to Director - Mr Kevin Hart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Adoption of Alloy Resources Limited Incentive Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. \* 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 votes will not be counted in computing the required majority on a poll.

### SECTION C: Signature of Security Holder(s)

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

Individual or Security Holder

Sole Director & Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director/Company Secretary

**Proxies must be received by Security Transfer Australia Pty Ltd no later than 3:00pm AEDT on Wednesday 23 November 2016.**

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Name:

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This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

- a) On each of the Proxy forms, state the percentage of your voting rights or 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 of your votes; and
- b) Return both forms in the same envelope.

**Email** registrar@securitytransfer.com.au

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.