



CAZALY RESOURCES LIMITED

ACN 101 049 334

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11.30 am (WST)

DATE: 24 November 2016

PLACE: Level 2
38 Richardson Street
WEST PERTH WA 6005

This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9322 6418.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the Annual General Meeting of the Shareholders convened by this Notice of Meeting will be held at 11.30am (WST) on 24 November 2016 at:

Level 2
38 Richardson Street
WEST PERTH WA 6005

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your Shareholding and your vote is important.

ATTENDANCE AND VOTING ELIGIBILITY

For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) the Directors have determined that the Shares quoted on the ASX at 5.00pm WST on 22 November 2016 will be taken, for the purposes of this Annual General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote (if not excluded) at the Meeting.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed (and the power of attorney or other authority (if any) under which it is signed (or a certified copy)) and either:

- (a) deliver the Proxy Form to the Company's registered office at Level 2, 38 Richardson Street, West Perth, Western Australia 6005;
- (b) send the Proxy Form by post to Cazaly Resources Limited, PO Box 396, West Perth, Western Australia 6872; or
- (c) send the Proxy Form by facsimile to the Company on facsimile number (08) 9322 6398; or
- (d) email the Proxy Form to mrobbins@cazalyresources.com.au

so that it is received not later than 11.30am (WST) on 22 November 2016.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Cazaly Resources Limited will be held at **Level 2, 38 Richardson Street, West Perth, Western Australia at 11.30am WST on Thursday 24 November 2016.**

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum (including the Annexures) are defined in the Glossary unless defined elsewhere in the Explanatory Memorandum.

AGENDA

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the 2016 Financial Report together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding ordinary 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."

Note: the vote on this Resolution is advisory only and does not bind the Board or the Company. However, under the Corporations Act 2001 (Cth), if 25% or more of the votes cast at the meeting are against Resolution 1 (constituting the 'second strike'), a resolution on whether to hold a further meeting to spill the Board of the Company will be put to Shareholders ('Conditional Resolution'). The form of this Conditional Resolution, should it be considered by Shareholders, is set out in Contingent Resolution 13 below.

Please refer to the Explanatory Memorandum for further details on this resolution.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR CLIVE JONES

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

"That Mr Clive Jones, joint Managing Director, who retires by rotation in accordance with the Constitution, and being willing and eligible for re-election, is re-elected as a Director."

RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

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

"That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by a person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 4 – RATIFICATION OF THE ISSUE OF SHARES TO VENDOR OF WIDGIEMOOLTHA PROJECT

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

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of a total of 1,538,462 ordinary fully paid shares to the vendor of the Widgiemooltha Project on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 5 – RATIFICATION OF THE ISSUE OF SHARES TO VENDORS OF YAMARNA WEST PTY LTD

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

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of a total of 2,500,000 ordinary fully paid shares to the vendors of the shares in Yamarna West Pty Ltd on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 6 – RATIFICATION OF THE ISSUE OF OPTIONS TO VENDORS OF YAMARNA WEST PTY LTD

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

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of a total of 2,500,000 Annexure A Options and 2,500,000 Annexure B Options to the vendors of the shares in Yamarna West Pty Ltd on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 7 – APPROVAL OF CAZALY RESOURCES LIMITED EMPLOYEE INCENTIVE PLAN

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

“That, for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given to adopt the Company’s Employee Incentive Plan and to issue and allot securities under that plan, and to issue and allot Shares pursuant to those securities, from time to time upon the terms and conditions summarised in the Explanatory Memorandum as an exception to ASX Listing Rule 7.1.”

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive plan in relation to the Company) and any associates of such a Director. However, the Company need not disregard a vote if 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 it is cast by the Chair 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.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the “voter”) may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

RESOLUTION 8 – APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER CAZALY RESOURCES LIMITED EMPLOYEE INCENTIVE PLAN

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

“That, for the purpose of Sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the giving of termination benefits under the Company’s Employee Incentive Plan by the Company to a person or their associates in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate of the Company, as detailed in the Explanatory Memorandum.”

Voting Exclusion Statement:

For the purpose of ASX Listing Rule 10.11 and Section 200E(2A) of the Corporations Act, the Company will disregard any votes cast on this Resolution by any Shareholders who are also managerial or executive officers of the Company and any associates of those persons. However, the Company need not disregard a vote if 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 it is cast by the Chair 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.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

RESOLUTION 9 – REFRESH APPROVAL OF THE PROPORTIONAL TAKEOVER PROVISIONS

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

"That approval of the proportional takeover provisions previously received at the 2012 Annual General Meeting and set out in the Company's Constitution be refreshed for a further three years."

RESOLUTION 10 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR NATHAN MCMAHON

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

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and for all other purposes, the Company is authorised to issue and allot up to 2,500,000 Director Options to Mr Nathan McMahon, who is a Director, and/or his nominee(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion Statement:

The Company will disregard any votes cast on the Resolution by Mr Nathan McMahon and/or his nominee(s) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

RESOLUTION 11 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR CLIVE JONES

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

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and for all other purposes, the Company is authorised to issue and allot up to 2,500,000 Director Options to Mr Clive Jones, who is a Director, and/or his nominee(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion Statement:

The Company will disregard any votes cast on the Resolution by Mr Clive Jones and/or his nominee(s) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

RESOLUTION 12 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR KENT HUNTER

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

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and for all other purposes, the Company is authorised to issue and allot up to 750,000 Director Options to Mr Kent Hunter, who is a Director, and/or his nominee(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion Statement:

The Company will disregard any votes cast on the Resolution by Mr Kent Hunter and/or his nominee(s) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

CONTINGENT RESOLUTION

RESOLUTION 13 – CONDITIONAL SPILL RESOLUTION

Important Note: The Company is required to, and will only, put this Resolution 13 to the Meeting if 25% or more of the votes cast on Resolution 1 (Adoption of Remuneration Report for the year ended 30 June 2016) are voted against the adoption of the Remuneration Report. If this occurs, Shareholders will be required to vote on Contingent Resolution 13 below.

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

"That, subject to and conditional on at least 25% of the votes cast on Resolution 1 (Adoption of Remuneration Report for the year ended 30 June 2016) being against the adoption of the Remuneration Report, as required by the Corporations Act 2001 (Cth):

- a) *an extraordinary general meeting of the Company (**Spill Meeting**) be held within 90 days after passing of this resolution;*
- b) *all of the Directors in office at the time when the resolution to make the Directors' Report for the financial year ended 30 June 2016 was passed, other than the Managing Directors, and who remain Directors at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and*
- c) *resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting."*

Please refer to the attached explanatory statement for further details on this resolution.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

If you are a KMP or a Closely Related Party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

OTHER BUSINESS

To deal with any business that may be lawfully brought forward.

PROXIES

A Shareholder entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy that body corporate will need to ensure that it:

- a) appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- b) provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as proxy.

A Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. Fractions of votes will be disregarded.

In order to vote on behalf of a company that is a Shareholder, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be posted or lodged at the registered office of the Company, at Level 2, 38 Richardson Street, West Perth WA 6005, or PO Box 396 West Perth WA 6872, or by facsimile to (61 8) 9322 6398, or by email to mrobbins@cazalresources.com.au not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.

An instrument appointing a proxy:

- a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
- b) may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the Resolution except as specified in the instrument;
- c) shall be deemed to confer authority to demand or join in demanding a poll;
- d) shall be in such form as the Directors determine and which complies with section 250A of the Corporations Act; and
- e) which appoints the Chair as proxy but does not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolutions (subject to the other provisions of these notes on proxies and any required voting exclusions including those in the Notice) as this is the Chair's voting intention.

Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to, the Company before the commencement of the Meeting.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney. 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.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

Undirected and Directed Proxies

The Company encourages all shareholders who submit proxies to direct their proxy how to vote on each resolution.

The Company will not disregard any votes cast on a resolution by a person if the person is the Chairman voting an undirected proxy and their appointment expressly authorises the Chairman to exercise the proxy.

If you intend to appoint the Chairman as your proxy, you can direct him how to vote by marking the boxes for each resolution (for example, if you wish to vote "for", "against" or "abstain" from voting), or you cannot mark any of the boxes and give the Chairman your express authority to vote your undirected proxy (in which case the Chairman will vote in favour of all Resolutions, except Resolution 13 where the Chairman will vote against the Resolution).

If you intend to appoint another member of the KMP (such as one of the Directors) or one of their Closely Related Parties as your proxy, please ensure that you direct them how to vote on Resolutions 1, 10, 11, 12 and 13. If you leave your proxy form undirected on Resolutions 1, 10, 11, 12 and 13, the relevant KMP (other than the Chairman) and their Closely Related Parties will not be able to vote your shares on those resolutions. If the Chairman is your proxy and you do not direct the Chairman how to vote in respect of Resolutions 1, 10, 11, 12 and 13 on the proxy form, you will be deemed to have directed and expressly authorised the Chairman to vote your proxy in favour of Resolutions 1, 10, 11 and 12 and against Resolution 13. This express authorisation acknowledges that the Chairman may vote your proxy even though Resolutions 1, 10, 11, 12 and 13 are connected directly or indirectly with the remuneration of a KMP and even though the Chairman may have an interest in the outcome of those resolutions and is prohibited from voting on those resolutions (other than as authorised proxy holder) because of that interest.

In accordance with the Corporations Act, any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman, who is required to vote proxies as directed.

If you appoint any other person as your proxy

You do not need to direct your proxy how to vote.

DATED: 18 OCTOBER 2016

BY ORDER OF THE BOARD

MIKE ROBBINS

COMPANY SECRETARY

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Cazaly Resources Limited in connection with the business specified to be conducted in the Notice of Annual General Meeting at the annual general meeting of Shareholders to be held at Level 2, 38 Richardson Street, West Perth, Western Australia 6005 at **11.30am WST on 24 November 2016**.

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

The Notice of Meeting, Explanatory Memorandum and Proxy Form are all important documents. The Directors recommend that Shareholders read them carefully in their entirety before making a decision on how to vote at the Annual General Meeting.

A Glossary of terms frequently used in this Notice of Meeting and Explanatory Memorandum can be found at the end of this Explanatory Memorandum.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the 2016 Financial Report together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

The Company will not provide a hard copy of the 2016 Financial Report to Shareholders unless specifically requested to do so. The 2016 Financial Report is available on its website at www.cazalyresources.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

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 Board or the Company.

2.2 Voting Consequences

Under changes to the Corporations Act which came into effect on 1 July 2011 (known as the 'two strikes' rule), if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report at the two consecutive annual general meetings, the company will be required to put to shareholders a resolution proposing the calling of an extraordinary 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 extraordinary general meeting (**Spill Meeting**) within 90 days of the company's AGM where the second consecutive strike is received. All of the directors, other than a Managing Director, who were in office when the board approved the last directors' report and who remain in office at the time of the Spill Meeting, 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 Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is audited and is part of the Directors' Report contained in the 2016 Financial Report.

At the Company's previous annual general meeting, more than 25% of votes were cast against the adoption of the Company's 2015 remuneration report. Accordingly, the Company failed to obtain the required 75% of votes in favour of adoption of the Company's 2015 remuneration report and recorded a 'first strike' under the 'two strikes' rule. If (and only if) at least 25% of the votes cast on Resolution 1 at this Meeting are against adopting the Remuneration Report, this will constitute a 'second strike' and Resolution 13 (**Company Spill Resolution**) will be put to the Meeting and voted on.

The Spill Resolution will be considered as an ordinary resolution and will be passed if more than 50% of the eligible votes cast are in favour of the Company Spill Resolution. If the Company Spill Resolution is

passed the Company will be required to convene a further general meeting of the Company within 90 days of the Annual General Meeting in order to consider the composition of the Board.

If less than 25% of the votes cast on Resolution 1 are against adopting the Remuneration Report at the Annual General Meeting, then there will be no 'second strike' and Resolution 13 will not be put to the Meeting.

During 2016, the Board reviewed the Company's remuneration policies and practices. The Board remains confident that the remuneration policy and the level and structure of its executive remuneration are suitable for the Company and its Shareholders.

It should be noted that:

- There was no increase in remuneration packages for any staff at the 30 June 2016 annual review. In fact, the Company's senior management team have not had any salary increases since 30 June 2013; and
- There has been no increase in executive Director salaries since 2007 and no increase in non-executive Director fees since 2010.

The vote on Resolution 1 is advisory only and does not bind the Directors or 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 will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

The Corporations Act prohibits certain persons from voting on this resolution (see voting prohibition in Resolution 1).

Directors' Recommendation

The Directors, at their discretion, recommend that Shareholders vote in favour of adopting the Remuneration Report.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR CLIVE JONES

3.1 Background

Clause 11.3 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three (3) years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

The Company currently has three (3) Directors and accordingly one (1) must retire by rotation.

Mr Clive Jones retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, seeks re-election. The profile of Mr Clive Jones is set out in the 2016 Financial Report.

Directors' Recommendation

The Directors (other than Mr Clive Jones) recommend that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

4.1 Purpose of resolution

The purpose of this special resolution is to authorise the Directors to seek Shareholder approval to allow it to issue a further 10% of the Company's issued share capital under Listing Rule 7.1A during the 10% Placement Period in addition to and without using the Company's 15% placement capacity under Listing Rule 7.1.

The additional 10% placement capacity under Listing Rule 7.1A is in addition to the existing 15% annual placement capacity available under Listing Rule 7.1.

4.2 General information

Listing Rule 7.1A came into effect on 1 August 2012 and enables "eligible entities" to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting if the Equity Securities are in an existing quoted class of the Company's securities ("**10% Placement Facility**"). The 10% Placement Facility is in addition to the Company's 15% placement annual capacity under Listing Rule 7.1.

An "eligible entity" for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

The Company is an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility during the period up to 12 months after the Meeting. As Resolution 3 is a special resolution 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

If Shareholders approve Resolution 3 the exact number of Equity Securities that may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to 4.3 (c) below).

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon the issue of any Equity Securities under the 10% Placement Facility.

4.3 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting, which is in addition to its 15% annual placement capacity.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The Company, as at the date of the Notice, has on issue one class of Equity Securities, namely Shares.

(c) Formula for calculating Additional 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(a \times d) - e$$

a is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;

- (iii) *plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% annual placement capacity without shareholder approval;*
- (iv) *less the number of fully paid shares cancelled in the 12 months.*

*Note that **A** has the same meaning in Listing Rule 7.1 when calculating an entity's 15% annual placement capacity.*

d is 10%

e is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 170,996,608 Shares and therefore has a capacity to issue:

- (i) 15% or 25,649,491 Equity Securities under Listing Rule 7.1; and
- (ii) 10% or 17,099,661 Equity Securities under Listing Rule 7.1A (subject to Shareholder approval being sought under this Resolution 3).

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities, or the agreement date, in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to 4.3(c) above).

(e) **Information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, the below information is provided in relation to the approval of the 10% Placement Facility:

Minimum Price

The minimum price at which Equity Securities may be issued under the 10% Share Issue Capacity is 75% of the VWAP of securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities are to be issued is agreed; or
- if they are not issued within 5 Trading Days of the date above, the date on which the Equity Securities are issued.

Date of Issue

The Equity Securities may be issued under the 10% Placement Facility commencing on the date of the Meeting and expires on the earlier to occur of:

- the date that is 12 months after the date of this Meeting; or
- 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).

Risk of economic and voting dilution

If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below.

Shareholders should note that there is a risk that:

- the market price for the Equity Securities to be issued may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.

Any issue of Equity Securities under the 10% Placement Facility will dilute the interests of Shareholders who do not receive any Shares under the issue. If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Facility, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice, assuming the full 10% dilution.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Facility.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.038 50% decrease in Issue Price	\$0.076 Issue Price	\$0.114 50% increase in Issue Price
Current Variable A 170,996,608 Shares	Shares issued	17,099,661 Shares	17,099,661 Shares	17,099,661 Shares
	Funds raised	\$649,787	\$1,299,574	\$1,949,361
50% increase* in current Variable A 256,494,912 Shares	Shares issued	25,649,491 Shares	25,649,491 Shares	25,649,491 Shares
	Funds raised	\$974,681	\$1,949,361	\$2,924,042
100% increase* in current Variable A 341,993,216 Shares	Shares issued	34,199,322 Shares	34,199,322 Shares	34,199,322 Shares
	Funds raised	\$1,299,574	\$2,599,148	\$3,898,723

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued under Listing Rule 7.1.

The table has been prepared on the following assumptions:

- The current Shares on issue are the Shares on issue at 14 October 2016.
- The issue price set out above is the closing price of the Shares on the ASX on 14 October 2016.
- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility hence the voting dilution is shown in each example as 10%.
- The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances, and if necessary seek advice from their professional advisers.
- No unlisted options of the Company are exercised into Shares before the date of issue of the Equity Securities.
- The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, and not dilution under the 15% placement capacity under ASX Listing Rule 7.1, under ASX Listing Rule 7.2, or Shareholder approvals under ASX Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares.

Purpose of issue under 10% Placement Facility

The Company may seek to issue the Equity Securities for the following purposes:

- as cash consideration, in which case the Company intends to use the funds raised towards continued exploration and development of the Company's projects, the evaluation and acquisition of new opportunities and general working capital; or
- as non-cash consideration for the exploration and development of the Company's projects, the evaluation and acquisition of new assets and other investments. In such

circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

Allocation under the 10% Placement Facility

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the purpose of the issue;
- the alternative methods of raising funds that are available to the Company, including but not limited to, an entitlement issue or other issue in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the circumstances of the Company, including but not limited to the financial situation and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders, who are not related parties of the Company or their associates.

Previous Approval under ASX Listing Rule 7.1A

The Company last obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 26 November 2015.

Voting exclusion statement

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not invited any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

4.4 Listing Rule 7.3A.6 Details of Equity Securities issued during last 12 months

Date of Issue	6 January 2016	6 January 2016	27 May 2016	15 June 2016
Number issued	6,831,667	3,415,834	22,307,691	500,000
Class/Type	Ordinary Shares	Unquoted Options	Ordinary Shares	Ordinary Shares
Summary of Terms	As per ASX announcement dated 22 December 2015 (A)	Exercisable at \$0.04 on or before 5 January 2018	As per ASX announcement dated 20 May 2016 (B)	Conversion of \$0.04 options
Name of Persons Issued Securities	Sophisticated Investors	Sophisticated Investors	Sophisticated Investors	Shareholder
Deemed/Issue Price	\$0.03	Nil	\$0.065	\$0.04
Discount to market	NA	NA	11% (based on 15 day VWAP)	NA
CASH ISSUES				
Cash Received	\$205,000	Nil	\$1,450,000	\$20,000
Cash Spent	\$205,000	Nil	\$330,000	Nil
Use of Cash	Ongoing exploration, new projects and working capital	NA	Ongoing exploration, new projects and working capital	Ongoing exploration, new projects and working capital
Cash Unspent	\$Nil	NA	\$Nil	\$Nil
NON-CASH ISSUES				
Non-cash consideration	NA	Free attaching options as part of placement (A)	NA	NA
Current value of non-cash consideration	NA	Each unquoted Option has been valued at \$0.01382 (*)	NA	NA

Date of Issue	22 August 2016	22 August 2016	22 August 2016	23 August 2016
Number issued	11,153,846	1	700,000	2,500,000
Class/Type	Quoted Options	Quoted Options	Quoted Options	Ordinary Shares
Summary of Terms	Exercisable at \$0.11 on or before 21 August 2018 (as per Prospectus dated 17 August 2016)	Exercisable at \$0.11 on or before 21 August 2018 (as per Prospectus dated 17 August 2016)	Exercisable at \$0.11 on or before 21 August 2018 (as per Prospectus dated 17 August 2016)	Part consideration for the shares in Yarmarna West P/L
Name of Persons Issued Securities	Sophisticated Investors	Mioceovich	Greyhound Investments P/L	Wildest P/L, Symonds and Corr
Deemed/Issue Price	Nil	Nil	Nil	\$0.072
Discount to market	NA	NA	NA	Nil
CASH ISSUES				
Cash Received	Nil	\$0.01	Nil	NA
Cash Spent	Nil	\$0.01	Nil	NA
Use of Cash	NA	NA	NA	NA
Cash Unspent	NA	Nil	NA	NA
NON-CASH ISSUES				
Non-cash consideration	Free attaching options as part of placement (B)	NA	Consulting services	Project interest
Current value of non-cash consideration	Each Quoted Option has been valued at \$0.0328 (*)	NA	Each Quoted Option has been valued at \$0.0328 (*)	\$200,000

Date of Issue	23 August 2016	23 August 2016	23 August 2016	23 August 2016
Number issued	1,538,462	6,666,666	175,000	2,500,000
Class/Type	Ordinary Shares	Ordinary Shares	Ordinary Shares	Unquoted Options
Summary of Terms	Consideration for Widgiemooltha Project	Conversion of convertible notes (details as per ASX announcement dated 22 December 2015)	Issued under contract for consulting services	Part consideration for the shares in Yamarna West P/L (exercisable at \$0.144 on or before 22 Aug 2019)
Name of Persons Issued Securities	Buckland Capital P/L	Directors	Intuitive P/L	Wildest P/L, Symonds and Corr
Deemed/Issue Price	\$100,000	\$200,000	\$0.071	NA
Discount to market	NA	NA	NA	NA
CASH ISSUES				
Cash Received	NA	\$200,000	NA	NA
Cash Spent	NA	\$200,000	NA	NA
Use of Cash	NA	Ongoing exploration, new projects and working capital	NA	NA
Cash Unspent	NA	\$Nil	NA	NA
NON-CASH ISSUES				
Non-cash consideration	Project interest	NA	Consulting services	Project interest
Current value of non-cash consideration	\$123,077	NA	\$14,000	Each Unquoted Option has been valued at \$0.0553 (*)

Date of Issue	23 August 2016	23 August 2016	23 August 2016	23 August 2016
Number issued	2,500,000	3,333,334	175,000	1,450,000
Class/Type	Unquoted Options	Unquoted Options	Unquoted Options	Unquoted Options
Summary of Terms	Part consideration for the shares in Yamarna West P/L (exercisable at \$0.216 on or before 22 Aug 2020)	Conversion of convertible notes (details as per ASX announcement dated 22 December 2015)	Exercisable at \$0.15 on or before 22 August 2018	Exercisable at \$0.18 on or before 22 August 2019
Name of Persons Issued Securities	Wildest P/L, Symonds and Corr	Directors	Intuitive P/L	Employees
Deemed/Issue Price	NA	NA	NA	NA
Discount to market	NA	NA	NA	NA
CASH ISSUES				
Cash Received	NA	NA	NA	NA
Cash Spent	NA	NA	NA	NA
Use of Cash	NA	NA	NA	NA
Cash Unspent	NA	NA	NA	NA
NON-CASH ISSUES				
Non-cash consideration	Project interest	Free attaching option as per terms of convertible note	Employee Options	Employee Options
Current value of non-cash consideration	Each Unquoted Option has been valued at \$0.06361 (*)	Each Unquoted Option has been valued at \$0.01382 (*)	Each Unquoted Option has been valued at \$0.04319 (*)	Each Unquoted Option has been valued at \$0.05076 (*)

* - Valuations based on Black-Scholes model as at grant date

Pursuant to and in accordance with Listing Rule 7.3A.6 (a), the total number of Equity Securities issued since the date of the last AGM held on 26 November 2015 are as follows:

Class/Type	On Issue 26/11/15	Number issued since 26/11/15	% Issued since 26/11/15
Ordinary Shares	130,477,121	40,519,487	31%
Listed Options	-	11,853,847	100%
Unlisted Options	3,700,000	12,874,168	248%

Directors' Recommendation

The Directors consider that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under ASX Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should it be required and which will be in addition to, and without using, the Company's 15% annual placement capacity. At the date of the Notice, the Company has no plans to use the 10% Placement Facility should it be approved. Accordingly the Directors recommend that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – RATIFICATION OF THE ISSUE OF SHARES TO VENDOR OF WIDGIEMOOLTHA PROJECT

5.1 Background

The Company seeks Shareholder ratification for the issue of 1,538,462 Shares to the vendor of the Widgiemooltha Project (as defined below). In June 2016, the Company, along with Lithium Australia NL, entered into a Sale Agreement with Buckland Capital Pty Ltd for the purchase of a 100% interest in the Pegmatite minerals in Exploration Licence 15/1410 ('Widgiemooltha Project'). The Company and Lithium Australia NL each hold a 50% interest in the Widgiemooltha Project.

The total consideration for Cazaly's 50% interest in the Widgiemooltha Project was \$7,500 cash plus the issue of 1,538,462 Shares at a deemed consideration of \$100,000.

5.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of fully paid ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

If Shareholders approve Resolution 4, the issue of 1,538,462 Shares will be excluded from the calculations of the 15% limit under ASX Listing Rule 7.1.

The following information is provided for the purpose of ASX Listing Rule 7.5.

- (a) *Number of securities issued or to be issued*
1,538,462 Shares
- (b) *Issue price of securities*
The Shares were issued for no consideration as they were issued to the vendor of the Wiggemooltha Project as consideration for the acquisition of the Company's interest in that project.
- (c) *Terms of the securities*
Shares were issued fully paid and rank parri passu in all respects with the Company's other Shares on issue.
- (d) *Names of the persons to whom the entity issued the securities or the basis on which those persons were determined*
Buckland Capital Pty Ltd
- (e) *Intended use of funds raised.*
No funds were raised by the issue of the Shares as they were issued for no consideration.

Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 4 as it allows the Company to retain the flexibility to issue further securities representing up to 15% of its issued Shares, if required, in the next 12 months, without Shareholder approval.

6. RESOLUTION 5 – RATIFICATION OF THE ISSUE OF SHARES TO VENDOR OF YAMARNA WEST PTY LTD

6.1 Background

The Company seeks Shareholder ratification for the issue of 2,500,000 Shares to the vendor of the Mt Venn Project. In May 2016, the Company, entered into an Option Agreement to acquire 100% of the shares of Yamarna West Pty Ltd. Yamarna West Pty Ltd is the registered tenement holder of Exploration Licence 38/3111 (known as the 'Mt Venn Project'). An option fee of \$15,000 was due and payable within 7 days of the execution of the Option agreement.

The full consideration payable by the Company in connection with the purchase of Yamarna West Pty Ltd was:

- (i) 2,500,000 Shares;
- (ii) 2,500,000 unlisted Options at an exercise price of \$0.144 and 3 year expiry date from issue ('Annexure A Options'); and
- (iii) 2,500,000 unlisted Options at an exercise price of \$0.216 and 4 year expiry date from issue ('Annexure B Options').

Items (ii) and (iii) above are the subject of Resolution 6.

6.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of fully paid ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX

Listing Rule 7.4 provides that the approval of holders of the company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

If Shareholders approve Resolution 5, the issue of 2,500,000 Shares will be excluded from the calculations of the 15% limit under ASX Listing Rule 7.1.

The following information is provided for the purpose of ASX Listing Rule 7.5.

- (a) *Number of securities issued or to be issued*
2,500,000 Shares
- (b) *Issue price of securities*
The Shares were issued for no consideration as they were issued to the vendors of the shares in Yamarna West Pty Ltd as consideration for its acquisition.
- (c) *Terms of the securities*
Shares were issued fully paid and rank parri passu in all respects with the Company's other Shares on issue.
- (d) *Names of the persons to whom the entity issued the securities or the basis on which those persons were determined*
Wildest Pty Ltd – 625,000 Shares
Peter Symonds – 625,000 Shares
Thomas Corr – 1,250,000 Shares
- (e) *Intended use of funds raised.*
No funds were raised by the issue of the Shares as they were issued for no consideration.

Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 5 as it allows the Company to retain the flexibility to issue further securities representing up to 15% of its issued Shares, if required, in the next 12 months, without Shareholder approval.

7. RESOLUTION 6 – RATIFICATION OF THE ISSUE OF OPTIONS TO VENDOR OF YAMARNA WEST PTY LTD

7.1 Background

The Company seeks Shareholder ratification for the issue of a total of 2,500,000 Annexure A Options and 2,500,000 Annexure B Options to the vendor of the Mt Venn Project.

Further information concerning the acquisition of Yamarna West Pty Ltd including details of the full consideration payable by the Company is set out in the Background section 6.1 above.

7.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of fully paid ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

If Shareholders approve Resolution 6, the issue of 2,500,000 Annexure A Options and 2,500,000 Annexure B Options will be excluded from the calculations of the 15% limit under ASX Listing Rule 7.1.

The following information is provided for the purpose of ASX Listing Rule 7.5.

- (a) *Number of securities issued or to be issued*
2,500,000 Annexure A Options and 2,500,000 Annexure B Options

(b) *Issue price of securities*

The Annexure A and Annexure B Options were issued for no consideration as they were issued to the vendors of the shares in Yamarna West Pty Ltd as consideration for its acquisition.

(c) *Terms of the securities*

The terms and conditions of the Annexure A Options and the Annexure B Options are contained in Annexure "A" and Annexure "B" to this Explanatory Memorandum respectively.

(d) *Names of the persons to whom the entity issued the securities or the basis on which those persons were determined*

Wildest Pty Ltd – 625,000 Annexure A Options and 625,000 Annexure B Options
Peter Symonds – 625,000 Annexure A Options and 625,000 Annexure B Options
Thomas Corr – 1,250,000 Annexure A Options and 1,250,000 Annexure B Options

(e) *Intended use of funds raised.*

No funds were raised from the issue and allotment of the Annexure A Options and the Annexure B Options as they were issued for no consideration. Funds raised on the exercise of the Annexure A Options and the Annexure B Options will be used for ongoing exploration, new projects and additional working capital.

Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 6 as it allows the Company to retain the flexibility to issue further securities representing up to 15% of its issued Shares, if required, in the next 12 months, without Shareholder approval.

8. RESOLUTION 7 – APPROVAL OF CAZALY RESOURCES LIMITED EMPLOYEE INCENTIVE PLAN

8.1 General

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of high calibre executive personnel and key employees, the Company seeks to refresh the approval of the "Cazaly Resources Limited Employee Incentive Plan" (**Plan**), including the issue of securities under the Plan. The Plan was last approved by Shareholders at the Company's 2013 Annual General meeting.

ASX Listing Rule 7.1 prohibits the Company from issuing equity securities which in aggregate exceed fifteen (15%) of its fully paid ordinary share capital in any twelve month period, unless an exception applies. ASX Listing Rule 7.2, Exception 9 provides that this rule does not apply to the issue of securities by the Company under an employee incentive scheme if the scheme has been approved by Shareholders within three (3) years from the date of issue of the relevant securities.

Resolution 7 seeks Shareholder approval under exception 9(b) of ASX Listing Rule 7.2 to allow the grant of Options under the Plan (**Incentive Options**), and the issue of Shares on exercise of the Incentive Options, as an exception to ASX Listing Rule 7.1.

If Resolution 7 is passed, the Company will have the ability to issue Incentive Options to eligible participants under the Plan over a period of three years without impacting on the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

If Shareholders do not renew approval for the Plan, the Company will not be able to grant further Options under the Plan, but all already outstanding Options will continue unaffected.

Executive Directors and key employees of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the Plan is an appropriate method to:

- a) reward executive Directors and key employees for their past performance;
- b) provide long term incentives for participation in the Company's future growth;
- c) motivate executive Directors and generate loyalty from senior employees; and
- d) assist to retain the services of valuable executive Directors and employees.

The Plan will be used as part of the remuneration planning for executive personnel and employees. The Corporate Governance Council Guidelines recommend that executive remuneration packages involve

a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the company's circumstances and goals. Non-executive Directors are not eligible to participate in the Plan.

8.2 ASX Listing Rule 7.2 (Exception 9(b)) Disclosure Requirements

In accordance with Listing Rule 7.2 (Exception 9(b)), the following information is disclosed to Shareholders for the purposes of Resolution 7:

- (a) A summary of the terms and conditions of the Plan is set out in section 8.3 below.
- (b) A total of 1,625,000 Incentive Options have been granted under the Plan since the Shareholder approval was last obtained at the 2013 Annual General Meeting.
- (c) A voting exclusion statement is included in the Notice.

8.3 Employee Incentive Option Plan Summary

- (a) **Eligibility and Grant of Incentive Options:** The Board may grant Incentive Options to any full or part time employee (and their associates) or executive Director (but not a non-executive Director) of the Company or an associated body corporate. Incentive Options may be granted by the Board at any time. Shareholder approval must be obtained prior to issuing any Incentive Options to executive Directors.
- (b) **Consideration:** Each Incentive Option issued under the Plan will be issued for nil cash consideration.
- (c) **Conversion:** Each Incentive Option is exercisable into one Share ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date:** The exercise price and expiry date for Incentive Options will be determined by the Board prior to the grant of the Incentive Options.
- (e) **Exercise Restrictions:** The Incentive Options may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Incentive Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the Incentive Options.
- (f) **Lapsing of Incentive Options:** Subject to the terms of the Offer made to a Participant, an unexercised Incentive Option will lapse:
 - (i) on its expiry date;
 - (ii) if any Exercise Condition is unable to be met; and
 - (iii) subject to certain exceptions, on the eligible participant ceasing employment with the Company.
- (g) **Share Restriction Period:** Shares issued on the exercise of Incentive Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a Restriction Period has expired, as specified in the offer for the Incentive Options.
- (h) **Disposal of Incentive Options:** Incentive Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.
- (i) **Trigger Events:** The Company may permit Incentive Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.
- (j) **Participation in Rights Issues and Bonus Issues:**
 - (i) There are no participating rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options.
 - (ii) The Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six (6) Business Days after the issue is announced. This will give Incentive Option holders the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.
 - (iii) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Incentive Option exercise price shall be reduced according to the formula specified in the Listing Rules.
 - (iv) In the event of a bonus issue of Shares being made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Incentive Option will include the number of bonus Shares that would have been issued if the Incentive Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Incentive Option.

- (k) **Reorganisation:** The terms upon which Incentive Options will be granted will not prevent the Incentive Options being re-organised as required by the Listing Rules on the re-organisation of the capital of the Company.
- (l) **Limitations on Offers:** The Company must take reasonable steps to ensure that the number of Shares to be received on exercise of Incentive Options offered under an offer when aggregated with:
 - (i) the number of Shares that would be issued if each outstanding offer for Shares, units of Shares or options to acquire Shares under the Plan or any other employee share scheme of the Company were to be exercised or accepted; and
 - (ii) the number of Shares issued during the previous 5 years from the exercise of Incentive Options issued under the Plan (or any other employee share plan of the Company extended only to eligible participants),
 does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with ASIC Class Order 03/184).

9. RESOLUTION 8 – APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER CAZALY RESOURCES LIMITED EMPLOYEE INCENTIVE PLAN

9.1 General

The Corporations Act restricts the benefits which can be given to certain persons (those who hold a managerial or executive office, as defined in the Corporations Act) on leaving their employment with the Company. Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or its related bodies corporate if it is approved by shareholders or an exemption applies. The provisions of the Corporations Act relating to termination benefits were amended in 2009 to significantly reduce the maximum termination benefits that can be given without prior shareholder approval and to expand the scope of the provisions. The new, lower termination benefits cap applies to all directors (including executive directors) and, since November 2009, to all key management personnel of the company (that is, to all persons whose remuneration is required to be disclosed in the company's remuneration report), including those who are not directors. Additionally, persons subject to the restrictions remain subject to them for at least three years after they cease to hold a managerial or executive office.

Under the proposed Plan (the subject of Resolution 7), circumstances in which the early vesting of Incentive Options are permitted, include termination of the employee's employment or office with the Company due to redundancy or in other circumstances where the Board exercises its discretion to do so as well as change of control events, notwithstanding that the Company will comply with its obligations under ASX Listing Rules 10.18 and 10.19. The termination "benefit" under section 200B of the Corporations Act has a wide operation and relevantly includes, in the context of Resolution 7, the early vesting of Incentive Options granted under the Plan.

Resolution 8 therefore seeks approval of any "termination benefit" that may be provided to an employee under the proposed Plan (the subject of Resolution 7), who from, time to time, holds a managerial or executive office (as defined in the Corporations Act) in the Company.

Specifically, Shareholder approval is being sought to give the Board (or the Boards' delegate) the capacity to exercise certain discretions under the Plan, including the discretion to determine to vest some or all of the unvested Incentive Options of any relevant participant who is affected by the new termination benefits laws when they leave employment with the Company.

Non-Executive Directors are not entitled to participate in the Plan and so the approval will not apply to them. The Company is seeking approval to assist the Company in meeting its existing obligations to executive Directors and employees of the group, and to provide the Company with the flexibility to continue to remunerate employees fairly and responsibly.

If all relevant Shareholder approvals are obtained under Resolution 7 and this Resolution 8, and the Board exercises its discretion to vest some or all of an affected participant's unvested Incentive Options (or to provide that the participant's Incentive Options do not lapse but will continue and be vested in the ordinary course), the value of the benefit will be disregarded when calculating the relevant participants cap for the purposes of subsection 200F(2)(b) or subsection 200G(1)(c) of the Corporations Act.

9.2 Section 200E of the Corporations Act

Section 200E requires certain information to be provided to shareholders in approving a termination benefit. Whilst the value of the proposed termination benefits cannot currently be ascertained, the

manner in which the value of the proposed termination benefits is calculated, and the matters, events and circumstances that will, or are likely to, affect the calculation of the value are as follows:

(A) Details of the termination benefits

The proposed Plan, if approved by Shareholders under Resolution 7, contains provisions setting out the treatment of unvested options in situations such as where an employee leaves the Company (in certain circumstances) or where there is a change in control of the Company. For example, under the rules of the Plan, where a participant resigns from his or her employment with the Company before his or her Incentive Options have vested, the Board may exercise its discretion to determine that some or all of the Incentive Options will vest, and the basis on which vesting may occur (which may include, without limitation, timing and conditions). Similarly, if a "change of control" occurs, the Board may determine that some or all of a participant's unvested Incentive Options will vest.

The exercise of these discretions will constitute a "benefit" for the purposes of the Corporations Act's termination benefits provisions.

(B) Value of the termination benefits

The value of the termination benefits that the Board may give under the proposed Plan cannot be determined in advance. This is because the proposed Plan is subject to approval under Resolution 7 and if approved by Shareholders, various matters will, or are likely to affect that value. Specifically, if the Plan is approved by Shareholders under Resolution 7, the value of a particular benefit will depend on the Company's share price at the time of vesting and the number of Incentive Options that the Board decided to vest. Some of the factors that may affect the value of the termination benefits are as follows:

- (i) the participant's length of service and the proportion of any relevant performance periods that have expired at the time they leave employment;
- (ii) the participant's total fixed remuneration at the time grants are made under the Plan and at the time they leave employment; and
- (iii) the number of unvested Incentive Options that the participant holds at the time they leave employment.

10. RESOLUTION 9 – REFRESH APPROVAL OF THE PROPORTIONAL TAKEOVER PROVISIONS

10.1 Background

The Proportional Takeover Provisions contained in part 26 of the Company's Constitution requires the renewal of approval for the provisions every three years or the provisions cease to have effect. The proportional takeover provisions were adopted by Shareholders at the Annual General Meeting in 2012. A resolution seeking renewal of the approval of the proportional takeover provisions was put before the 2015 Annual General Meeting but was not passed by the required majority.

The Company's constitution includes part 26 "Approval required for proportional takeover" (as set out in Annexure "C" to this Explanatory Memorandum). The Corporations Act requires the Company to provide Shareholders with an explanation of the proportional takeover approval provisions so that Shareholders may make an informed decision on whether to support or oppose the resolution.

Proportional Takeover Bid

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares (i.e. less than 100%).

Effect of a Proportional Takeover Bid Provision

If a proportional takeover bid is made, the Directors must ensure that a meeting of Shareholders is held and the Shareholders vote on a resolution to approve the takeover bid at least 14 days before the last day of the bid period. Each Shareholder has one vote for each fully paid Share held. The vote is decided on a simple majority. The bidder and its associates are not allowed to vote. If the resolution is not passed, no transfer will be registered as a result of the takeover bid and the offer will be taken to have been withdrawn. If the resolution is not voted on by the deadline, the resolution approving the bid is taken to have been passed. If the bid is approved (or taken to have been approved) all valid transfers must be registered, providing they comply with the other provisions of the Company's constitution.

The proportional takeover approval provisions do not apply to full takeover bids and will only apply for 3 years after the date of the adoption of the proposed Constitution (i.e. until 26 November 2018) unless again renewed by Shareholders.

Knowledge of any Acquisition Proposals

At the date of this Notice, no Director or executive officer is aware of any current proposal by any person to acquire or to increase the extent of a substantial interest in the Company.

Reasons for and Potential Advantages and Disadvantages of Rule

The Directors consider that the takeover approval provisions have no potential advantages for them. The reasons for and potential advantages of the proposed proportional takeover approval rule for Shareholder include:

- Shareholder have the right to decide by majority vote whether to accept a proportional takeover bid;
- It may help Shareholders to avoid being locked in as a minority and avoid the bidder acquiring control of the Company without paying an adequate control premium (ie. not being required to pay for all of the Shares on issue);
- It increases Shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- Knowing the view of the majority of Shareholders may help each individual Shareholder to form and opinion on whether to accept or reject an offer under the bid.

The potential disadvantages of the proposed proportional takeover approval rule for Shareholders include:

- Proportional takeover bids for Shares in the Company may be discouraged;
- Shareholders may lose an opportunity to sell some of their Shares at a premium; and
- the likelihood of a proportional takeover succeeding may be reduced.

On balance, the Directors consider that the possible advantages outweigh the possible disadvantages such that refreshing the proportional takeover provisions is in the interests of Shareholders.

Directors' Recommendation

The Board considers Resolution 9 to be in the best interests of the Shareholders and recommends that Shareholders vote in favour of Resolution 9.

11. RESOLUTIONS 10 TO 12 - APPROVAL OF THE ISSUE OF A TOTAL OF 5,750,000 OPTIONS TO DIRECTORS

Resolutions 10 to 12 seek the approval of Shareholders for the issue of 5,750,000 Director Options to Directors and/or their nominee(s) as follows:

Resolution	Director	# of Director Options (i)
Resolution 10	Nathan McMahon	2,500,000
Resolution 11	Clive Jones	2,500,000
Resolution 12	Kent Hunter	750,000

- (i) Expiry date on or before 5.00pm WST on the date that is two (2) years less one day following the date of issue at an exercise price of \$0.20.

Shareholder approval of the grant of the Director Options the subject of Resolutions 10 to 12 is sought for the purposes of:

- 1) Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other "related parties" of a company; and
- 2) ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue or grant securities to a director without shareholder approval.

The object of Resolutions 10 to 12 is to provide the Directors with a mechanism to participate in the future development of the Company and an incentive for their future involvement with and commitment to the Company. The Directors believe that the success of the Company in the future will

depend in large part upon the skills of the people engaged to manage the Company's operations. Accordingly it is important that the Company is able to attract and retain people of the highest calibre. The Directors consider that the most appropriate means of achieving this is to provide directors with an opportunity to participate in the Company's future growth and an incentive to contribute to that growth.

If Shareholder approval is obtained for Resolutions 10 to 12, the Director Options will be granted within one month of Shareholder approval.

10.1 Terms of Director Options

Subject to Shareholder approval, the Director Options will be granted on the terms and conditions set out in Annexure "D" to this Explanatory Memorandum.

10.2 Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving financial benefit to a "related party" of the Company (such as a Director) unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- b) prior Shareholder approval is obtained to the giving of the benefit.

For the purposes of Part 2E.1, Messrs McMahon, Jones and Hunter (and/or their nominee(s)) are considered to be related parties of the Company and, therefore, the proposed grant of Director Options to them (and/or their nominee(s)) requires prior Shareholder approval.

The annual remuneration packages including any superannuation and non-cash benefits payable to each Director is as follows:

Director	Position	Remuneration	Estimated value of Director Options to be issued (Refer to Annexure "E" to this Explanatory Memorandum)
Nathan McMahon	Managing Director	\$180,000	\$62,522
Clive Jones	Managing Director	\$180,000	\$62,522
Kent Hunter	Non-executive Director	\$27,500	\$18,766

The following table sets out Messrs McMahon, Jones and Hunter's beneficial interest in the securities of Cazaly as at the date of this Notice of Meeting:

Director	Ordinary Shares	Unlisted Options	Proposed Ordinary Shares ⁽³⁾
Nathan McMahon	25,636,099	1,500,000 ⁽¹⁾	2,500,000
		1,666,667 ⁽²⁾	
Clive Jones	14,479,904	1,500,000 ⁽¹⁾	2,500,000
		1,666,667 ⁽²⁾	
Kent Hunter	212,501	500,000 ⁽¹⁾	750,000

(1) Options exercisable at \$0.18 on or before 26 November 2016.

(2) Options exercisable at \$0.04 on or before 5 January 2018

(3) Assuming Shareholders approve the issue of the Director Options to Directors that are the subject of Resolutions 10 to 12 and all these Director Options are exercised.

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed grant of Director Options:

1. Directors, Messrs McMahon, Jones and Hunter are related parties of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of their respective nominee(s), section 228(4) of the Corporations Act);
2. the nature of the financial benefit to be given is the grant of 2,500,000 Director Options each to Messrs McMahon and Jones and the grant of 750,000 Director Options to Mr Hunter on the terms set out in Annexure "D" to this Explanatory Memorandum;
3. the Director Options will be issued within one month of the date of the Meeting;
4. Mr McMahon is not entitled and does not wish to make a recommendation to Shareholders regarding Resolution 10 on the basis that he has an interest in the

- outcome of the Resolution; Mr Jones is not entitled and does not wish to make a recommendation to Shareholders regarding Resolution 11 on the basis that he has an interest in the outcome of the Resolution; Mr Hunter is not entitled and does not wish to make a recommendation to Shareholders regarding Resolution 12 on the basis that he has an interest in the outcome of the Resolution;
5. the Director Options are to be granted for nil consideration and therefore no funds will be raised from their issue;
 6. an estimate of the value of the Director Options is set out in Annexure "E" to this Explanatory Memorandum;
 7. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:
 - (a) if all the Director Options the subject of Resolutions 10 to 12 are granted and exercised, then the Company's fully paid share capital (based on the existing number of Shares) will be diluted by 3.4%;
 - (b) the Directors consider that the incentive represented by the grant of Director Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration;
 - (c) the primary purpose of the grant of Director Options is to provide an incentive to Messrs McMahon, Jones and Hunter. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Director Options that are the subject of Resolutions 10 to 12 (other than as set out below); and
 - (d) the Board has examined carefully the individual remuneration packages of Directors to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives and non-executives in similar roles; and
 8. the Board acknowledges that the grant of Director Options to Messrs McMahon, Jones and Hunter is contrary to Recommendation 8.3 of the ASX Corporate Governance Principles and Recommendations. However the Board considers the grants to Messrs McMahon, Jones and Hunter are appropriate in the circumstances for the reasons set out below.

Based on the examination, the Board has concluded that the totality of Messrs McMahon, Jones and Hunter's remuneration packages, including the equity component of 5,750,000 Director Options now to be considered for approval by Shareholders, is fair and reasonable in the circumstances of Cazaly given its size and stage of development, market practice of other companies in the mineral exploration industry and given the necessity to attract and retain the highest calibre of skilled professionals to the Company whilst maintaining the Company's cash reserves, and in light of Messrs McMahon, Jones and Hunter's management experience and knowledge of the mineral exploration industry.

The Directors do not consider that there are any opportunity costs to the Company or benefits forgone by the Company in respect of the proposed issue of Director Options pursuant to Resolutions 10 to 12, other than, if the Director Options are exercised when the market price of the Shares is greater than the exercise price of the Director Options, there will be a detriment insofar as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised. Any funds raised from the exercise of Director Options will supplement the Company's working capital requirements.

The latest available price of Shares quoted on the ASX prior to the date of this Notice of Meeting on 14 October 2016 was \$0.076. The highest price for Shares trading on the ASX over the last 12 months was \$0.125 and the lowest price in that period was \$0.022.

10.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolutions 10 to 12 seek this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11 pursuant to Resolutions 10 to 12 is provided in the Notice of Meeting and the Explanatory Memorandum above.

10.4 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company

during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Approval pursuant to ASX Listing Rule 7.1 is not required (under Exception 14 to ASX Listing Rule 7.1) in order to issue the Director Options to Messrs McMahon, Jones and Hunter and/or their nominee(s) as approval is being obtained under ASX Listing Rule 10.11.

Shareholders should note that the issue of securities to Messrs McMahon, Jones and Hunter and/or their nominee(s) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

Directors' Recommendation

Mr Nathan McMahon declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Nathan McMahon) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 10.

Mr Clive Jones declines to make a recommendation to Shareholders in relation to Resolution 11 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Clive Jones) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 11.

Mr Kent Hunter declines to make a recommendation to Shareholders in relation to Resolution 12 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Kent Hunter) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 12.

12. RESOLUTION 13 – CONDITIONAL SPILL RESOLUTION

12.1 Background

If at least 25% of the votes cast on Resolution 1 are against the adoption of the Remuneration Report, the Company will receive a "second strike" and Resolution 13 (**Spill Resolution**) must be put to the AGM. However, if less than 25% of the votes cast on Resolution 1 are against adopting the Remuneration Report, then there will be no "second strike" and accordingly Resolution 13 will not be put to the AGM.

If the Spill Resolution is put to the meeting, it will be considered as an ordinary resolution, which means that, to be passed, the resolution requires the approval of a simple majority of the votes cast by or on behalf of shareholders entitled to vote on the matter.

If the Spill Resolution is passed, a further extraordinary general meeting (**Spill Meeting**) must be held within 90 days after the AGM. In such circumstances, All of the directors, other than a Managing Director, who were in office when the Board approved the last Directors' Report and who remain in office at the time of the Spill Meeting (the **Relevant Directors**), will automatically cease to hold office immediately before the end of the Spill Meeting, unless they are willing to stand for re-election and are re-elected at the Spill Meeting (and subject to the Company maintaining the minimum number of Directors required by the Corporations Act). For these purposes, the Relevant Director is Mr Kent Hunter.

The Relevant Director would be eligible to seek re-election at the Spill Meeting, however, there is no assurance that he would do so.

Directors' recommendation

Noting that the Relevant Director has a personal interest in any such resolution, and that he (and his Closely Related Parties) would be excluded from voting on the resolution, the Directors unanimously recommend that Shareholders vote against the Spill Resolution if it is put to the Meeting. This is on the basis that the Board considers it would be extremely disruptive to the Company and that it would be inappropriate to remove the Relevant Director in the circumstances.

GLOSSARY

In the Notice of Meeting (including the Annexures thereto) and the Proxy Form, the following terms have the following meanings unless they are otherwise defined or the context otherwise requires:

\$ means Australian dollars.

2016 Financial Report means the Company's financial report for the financial year ended 30 June 2016, which can be downloaded from the Company's website at www.cazalyresources.com.au.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

Annexure means an annexure to this Explanatory Memorandum.

Annexure A Option means an Option issued on the terms and conditions set out in Annexure "A".

Annexure B Option means an Option issued on the terms and conditions set out in Annexure "B".

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the market operated by it, as the context requires.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair or **Chairman** means the chairman of the Meeting.

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 Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) that may be made for this purpose.

Company or **Cazaly** means Cazaly Resources Limited ACN 101 049 334.

Constitution means the Company's constitution.

Corporations Act or **Act** means the *Corporations Act 2001* (Cth) and the regulations promulgated under it, each as amended from time to time.

Director means a director of the Company.

Director Options means an Option as per the terms and conditions set out in Annexure "D".

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum accompanying and forming part of the Notice.

Incentive Options means the grant of Options under the Plan.

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.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a Share.

Plan means the Cazaly Resources Limited Employee Incentive Plan.

Proxy Form means the proxy form accompanying and forming part of the Notice.

Remuneration Report means the remuneration report set out in the Directors' Report section of the 2016 Financial Report.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

Trading Day means a day determined by ASX to be a trading day and notified to market participants being:

- (a) a day other than:
 - (i) a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day; and
 - (ii) any other day which ASX declares and publishes is not a trading day; and
- (b) notwithstanding (a), a day which for the purposes of settlement, ASX declares is a trading day notwithstanding that dealings between market participants are suspended on that day.

WST means Western Standard Time as observed in Perth, Western Australia.

Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.

ANNEXURE A

Terms and Conditions of Annexure A Options

The Annexure A Options entitle the holders to subscribe for fully paid ordinary shares in the Company (**Shares**) on the following terms:

- a) Each Annexure A Option entitles the holder to subscribe for one Share at the exercise price of \$0.144
- b) Subject to paragraph (c) below, the Annexure A Options are exercisable at any time up to 5.00pm Perth time on or before 22 August 2019 by completing an Annexure A Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Annexure A Options are exercised to the registered office of the Company. Any Annexure A Options not exercised by that time will lapse.
- c) An Annexure A Option holder may exercise some only of that person's Annexure A Options, which does not affect that holder's right to exercise the remainder of their Annexure A Options by the deadline in paragraph (b) above. Annexure A Options must be exercised in multiples of 100 at a time, unless the Annexure A Option holder exercises all Annexure A Options able to be exercised at that time.
- d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Annexure A Options are freely transferable. Application will not be made to ASX for official quotation of the Annexure A Options.
- e) All Shares issued upon exercise of the Annexure A Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Annexure A Options.
- f) Annexure A Option holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Annexure A Options without exercising the Annexure A Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Annexure A Option holders the opportunity to exercise their Annexure A Options prior to the date for determining entitlements to participate in any such issue.
- g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Annexure B Option or any other terms of those Annexure A Options.
- h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Annexure A Option expiry, the rights of Annexure A Option holders, including the number of Annexure A Options or the exercise price of the Annexure A Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- i) Annexure A Option holders will be sent all communications sent to Shareholders, but Annexure A Options do not confer any rights to attend or vote at meetings of Shareholders. Notice may be given by the Company to Annexure A Option holders in the manner provided by the Company's Constitution for the giving of notices to Shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Annexure A Option holders.
- j) Notwithstanding the terms and conditions in this document, the Annexure A Options may only be issued or exercised within the limitations imposed by the Corporations Act 2001 and the ASX Listing Rules.

ANNEXURE B

Terms and Conditions of Annexure B Options

The Annexure B Options entitle the holders to subscribe for fully paid ordinary shares in the Company (**Shares**) on the following terms:

- a) Each Annexure B Option entitles the holder to subscribe for one Share at the exercise price of \$0.216
- b) Subject to paragraph (c) below, the Annexure B Options are exercisable at any time up to 5.00pm Perth time on or before 22 August 2020 by completing an Annexure B Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Annexure B Options are exercised to the registered office of the Company. Any Annexure B Options not exercised by that time will lapse.
- c) An Annexure B Option holder may exercise some only of that person's Annexure B Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Annexure B Options must be exercised in multiples of 100 at a time, unless the Annexure B Option holder exercises all Annexure B Options able to be exercised at that time.
- d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Annexure B Options are freely transferable. Application will not be made to ASX for official quotation of the Annexure B Options.
- e) All Shares issued upon exercise of the Annexure B Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Annexure B Options.
- f) Annexure B Option holders cannot participate in new issues of capital offered to Shareholders during the currency of the Annexure B Options without exercising the Annexure B Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Annexure B Option holders the opportunity to exercise their Annexure B Options prior to the date for determining entitlements to participate in any such issue.
- g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Annexure B Option or any other terms of those Annexure B Options.
- h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Annexure B Option expiry, the rights of Annexure B Option holders, including the number of Annexure B Options or the exercise price of the Annexure B Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- i) Annexure B Option holders will be sent all communications sent to Shareholders, but Annexure B Options do not confer any rights to attend or vote at meetings of Shareholders. Notice may be given by the Company to Annexure B Option holders in the manner provided by the Company's Constitution for the giving of notices to Shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Annexure B Option holders.
- j) Notwithstanding the terms and conditions in this document, the Annexure B Options may only be issued or exercised within the limitations imposed by the Corporations Act 2001 and the ASX Listing Rules.

ANNEXURE C

Insertion of Proportional Takeover Provisions clause into Cazaly Resources Limited Constitution

26.1 Definitions

approving resolution has the same meaning as in section 648D of the Corporations Act;

approving resolution deadline has the same meaning as in section 648D of the Corporations Act;

associate has the meaning specified in section 9 of the Corporations Act for the purposes of Chapter 6 of the Corporations Act;

proportional takeover bid has the meaning specified in section 9 of the Corporations Act.

26.2 Prohibition on registration of transfers without approval

Where a proportional takeover bid in respect of shares included in a class of shares in the Company has been made:

- a) the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the proportional takeover bid is prohibited unless and until a resolution to approve the proportional takeover bid is passed in accordance with this Constitution;
- b) a person (other than the bidder or an associate of the bidder) who, as at the end of the day on which the first offer under the proportional takeover bid was made, held shares included in that class is entitled to vote on an approving resolution and, for the purposes of so voting, is entitled to 1 vote for each such share;
- c) neither the bidder nor an associate of the bidder may vote on an approving resolution;
- d) an approving resolution must be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the resolution under the Corporations Act; and
- e) an approving resolution is taken to have been passed if the proportion which the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected.

Subject to the Corporations Act, the Directors may determine that the provisions of this Clause 26 apply to the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid that is made prior to the date that this Constitution is adopted or this Clause 26 is renewed.

26.3 Meetings

- a) The provisions of this Constitution relating to a general meeting of the Company apply, with such modifications as the circumstances require (including, without limitation, to the requisite notice period to ensure that the meeting is convened on or before the approving resolution deadline), in relation to a meeting that is convened for the purposes of this Clause 26.
- b) Where takeover offers have been made under a proportional takeover bid, then the Directors must ensure that a resolution to approve the proportional takeover bid is voted on in accordance with this Clause 26 before the approving resolution deadline in relation to the proportional takeover bid.
- c) Where a resolution to approve a proportional takeover bid is voted on in accordance with this Clause 26 before the approving resolution deadline in relation to the proportional takeover bid, the Company must, on or before the approving resolution deadline:
 - i) give to the bidder; and
 - ii) serve on the Exchange,

A written notice stating that a resolution to approve the proportional takeover bid has been voted on and that the resolution has been passed or has been rejected, as the case requires.

26.4 Approving resolution deemed to have been passed

Where, as at the end of the day before the approving resolution deadline in relation to a proportional takeover bid under which offers have been made, no resolution to approve the proportional takeover bid has been voted on in accordance with this Clause 26, then a resolution to approve the proportional takeover bid is, for the purposes of this Clause 26, deemed to have been passed in accordance with this rule.

26.5 Proportional takeover bid rejected

Where an approving resolution is voted on and is rejected then:

- a) despite section 652A of the Corporations Act, all offers under the proportional takeover bid that have not, as at the end of the approving resolution deadline, resulted in binding contracts are deemed to be withdrawn at the end of the approving resolution deadline;

- b) the bidder must immediately, after the end of the approving resolution deadline, return to each Member any documents that were sent by the Member to the bidder with the acceptance of the offer;
- c) the bidder may rescind and must, as soon as practicable after the end of the approving resolution deadline, rescind each contract resulting from the acceptance of the offer made under the proportional takeover bid; and
- d) a Member who has accepted an offer made under the proportional takeover bid is entitled to rescind the contract (if any) resulting from that acceptance.

26.6 Effect of this Clause

This Clause 26 ceases to have effect on the third anniversary of the later of the date of its adoption or of its most recent renewal.

ANNEXURE D

Terms and Conditions of Cazaly Director Options

The terms and conditions of the Director Options are as follows:

- (a) Each Director Option gives the Director Option holder the right to subscribe for one Share. To obtain the right given by each Director Option, the Director Option holder must exercise the Director Options in accordance with the terms and conditions of the Director Options. The Director Options will have an expiry date on or before 5.00pm WST on the date that is 2 years less one day following the date of issue (**Director Option Expiry Date**) at an exercise price of \$0.20 per option.
- (b) Any Director Option not exercised before the relevant Director Option Expiry Date will automatically lapse on that Director Option Expiry Date.
- (c) A Director Option holder may exercise their Director Options by lodging with the Company, before the relevant Director Option Expiry Date:
 - a. written notice of exercise of Director Options specifying the number of Director Options being exercised (**Director Option Exercise Notice**); and
 - b. cheque or electronic funds transfer for the relevant Director Option Exercise Price for the number of Director Options being exercised.
- (d) A Director Option Exercise Notice is only effective when the Company has received the full amount of the relevant Director Option Exercise Price in cleared funds.
- (e) Within 14 Business Days of receipt of the Director Option Exercise Notice accompanied by the relevant Director Option Exercise Price for the number of Director Options being exercised, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Director Option Exercise Notice.
- (f) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (g) In the event the Company is listed on ASX at the time of exercise of the Director Options the Company will apply for quotation on ASX of all Shares allotted pursuant to the exercise of Director Options within 10 Business Days after the date of allotment of those Shares.
- (h) If at any time the issued capital of the Company is reconstructed, all rights of a Director Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules (if applicable) at the time of the reconstruction.
- (i) There are no participating rights or entitlements inherent in the Director Options and Director Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Director Option holders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (j) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options will be treated in accordance with the Listing Rules (if applicable).
- (k) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Director Option holder would have received if the Director Option had been exercised before the record date for the bonus issue.

ANNEXURE E

Estimated Value of Cazaly Director Options To Be Issued

Using the Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed the following value:

Assumptions:	Nathan McMahon	Clive Jones	Kent Hunter
Number of Director Options	2,500,000	2,500,000	750,000
Valuation date	14 October 2016	14 October 2016	14 October 2016
Market price of Shares	\$0.076	\$0.076	\$0.076
Exercise price	\$0.20	\$0.20	\$0.20
Expiry date (length of time from issue)	2 years	2 years	2 years
Risk free interest rate	2.0%	2.0%	2.0%
Volatility (discount)	100%	100%	100%
Indicative value per Option	\$0.0229	\$0.0229	\$0.0229
Total Value of Related Party Options	\$57,250	\$57,250	\$17,175

Note: The valuation noted above is not necessarily the market price that the Related Party Options could be traded at and is not automatically the market price for taxation purposes.