



**CARBINE RESOURCES**  
LIMITED

CARBINE RESOURCES LIMITED  
ACN 122 976 818

**NOTICE OF ANNUAL GENERAL MEETING**

**The Annual General Meeting of the Company will be held at  
Suite 23, 513 Hay Street, Subiaco, Western Australia on  
Tuesday 31 May 2016 at 10.00 am (WST).**

*The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 6142 0986.*

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

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# CARBINE RESOURCES LIMITED

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Carbine Resources Limited (**Company**) will be held at Suite 23, 513 Hay Street, Subiaco, Western Australia, on Tuesday, 31 May 2016 at 10.00 am (WST) (**Meeting**).

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

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Sunday, 29 May 2016 at 10.00 am (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

## AGENDA

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### 1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 31 December 2015, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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### 2. Resolution 1 - Remuneration Report

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

*"That the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."*

#### Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on this Resolution, but expressly

authorises the Chair to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### **3. Resolution 2 - Re-election of Director - Mr John Fitzgerald**

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

*"That, for the purposes of Article 6.2(c) of the Constitution, Listing Rule 14.4 and for all other purposes, Mr John Fitzgerald, a Director who was appointed on 13 April 2016, retires and, being eligible, is elected as a Director."*

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### **4. Resolution 3 - Re-election of Director - Mr Graham Brock**

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

*"That, for the purposes of Article 6.2(c) of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Graham Brock, a Director who was appointed on 13 April 2016, retires and, being eligible, is elected as a Director."*

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### **5. Resolution 4 - Approval of 10% Placement Facility**

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

*"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) 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
- (b) 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.

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## 6. Resolution 5 - Ratification of prior issue of Options to Mr Stephen Dobson

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

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,000,000 Options to Mr Stephen Dobson on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Stephen Dobson and any of his associates or nominees.

However, the Company need not disregard a vote if:

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

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## 7. Resolution 6 - Ratification of prior issues of Shares to GR Engineering

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

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 13,670,000 Shares to GR Engineering Services Limited on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by GR Engineering Services Limited and any of its associates or nominees.

However, the Company need not disregard a vote if:

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

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## 8. Resolution 7 - Ratification of prior issue of Director Shares

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

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 3,333,333 Director Shares on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by Messrs John Fitzgerald, Anthony James and Graham Brock, and any of their respective associates or nominees.

However, the Company need not disregard a vote if:

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

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## 9. Resolution 8 - Approval of Performance Rights Plan

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

*"That, pursuant to and in accordance with Listing Rules 7.2 exception 9(b) and 10.19, sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the adoption of the employee incentive scheme of the Company known as the "Carbine Resources Limited Performance Rights Plan" and the issue of securities under that plan, on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion and Prohibition

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any of their respective associates or nominees.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the Company need not disregard such a vote if:

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

- (d) 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.

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## 10. Resolution 9 - Issue of Performance Rights to related party - Mr John Fitzgerald

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

*"That, subject to Resolution 8 being passed and pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 2,000,000 Performance Rights to Mr John Fitzgerald (or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion and Prohibition

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any of their respective associates or nominees.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the Company need not disregard such a vote if:

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

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## 11. Resolution 10 - Issue of Performance Rights to related party - Mr Anthony James

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

*"That, subject to Resolution 8 being passed and pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 9,000,000 Performance Rights to Mr Anthony James (or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion and Prohibition

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any of their respective associates or nominees.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the Company need not disregard such a vote if:

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

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## **12. Resolution 11 - Issue of Performance Rights to related party - Mr Graham Brock**

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

*"That, subject to Resolution 8 being passed and pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 1,000,000 Performance Rights to Mr Graham Brock (or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion and Prohibition**

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any of their respective associates or nominees.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the Company need not disregard such a vote if:

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

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## **13. Resolution 12 - Issue of Performance Rights to related party - Mr Evan Cranston**

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

*"That, subject to Resolution 8 being passed and pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 1,000,000 Performance Rights to Mr Evan Cranston (or his nominee) on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion and Prohibition**

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any of their respective associates or nominees.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the Company need not disregard such a vote if:

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

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## **14. Resolution 13 - Approval of Termination Benefit Provisions for Mr Anthony James**

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

*"That, pursuant to and in accordance with sections 200B and 200E of the Corporations Act, Listing Rule 10.19 and for all other purposes, Shareholders approve the provision of termination benefits to its Managing Director, Mr Anthony James, in connection with Mr James ceasing to hold a management or executive office with the Company or a Related Body Corporate of the Company, on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion and Prohibition**

The Company will disregard any votes cast on this Resolution by Mr Anthony James and any of his associates or nominees.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the Company need not disregard such a vote if:



- (c) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

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## 15. Resolution 14 - Replacement of Constitution

To consider, and if thought fit to pass as a special resolution the following:

*"That, pursuant to and in accordance with section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair for identification purposes."*

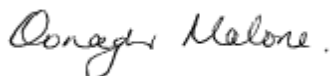
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## 16. Resolution 15 - Section 195 Approval

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

*"That, for the purposes of section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to complete the transactions as contemplated in this Notice."*

BY ORDER OF THE BOARD



Oonagh Malone  
Company Secretary  
Dated: 29 April 2016

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# CARBINE RESOURCES LIMITED

ACN 122 976 818

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 23, 513 Hay Street, Subiaco, Western Australia on Tuesday, 31 May 2015 at 10.00 am (WST).

The Explanatory Memorandum forms part of the Notice, which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Annual Report
Section 4	Resolution 1 - Remuneration Report
Section 5	Resolution 2 - 3 - Re-election of Directors - Messrs Fitzgerald and Brock
Section 6	Resolution 4 - Approval of 10% Placement Facility
Section 7	Resolution 5 - Ratification of prior issue of Options to Mr Stephen Dobson
Section 8	Resolution 6 - Ratification of prior issues of Shares to GR Engineering
Section 9	Resolution 7 - Ratification of prior issue of Director Shares
Section 10	Resolution 8 - Approval of Performance Rights Plan
Section 11	Resolutions 9 - 12 - Issue of Performance Rights to related parties - Messrs Fitzgerald, James, Brock and Cranston
Section 12	Resolution 13 - Approval of Termination Benefit Provisions for Mr Anthony James
Section 13	Resolution 14 - Replacement of Constitution
Section 14	Resolution 15 - Section 195 Approval
Schedule 1	Definitions
Schedule 2	Terms and conditions of Options
Schedule 3	Summary of Performance Rights Plan

Schedule 4	Recipients of Performance Rights
Schedule 5	Terms and conditions of Performance Rights

A Proxy Form is located at the end of the Explanatory Memorandum.

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## 2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### 2.1 Proxies

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

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

### 2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

In accordance with sections 250BD and 250R of the Corporations Act, a vote on Resolution 1 and Resolutions 8 to 13 (inclusive) must not be cast (in any capacity) by, or on behalf of:

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

However, a person described above may cast a vote on Resolution 1 and Resolutions 8 to 13 (inclusive) if the vote is not cast on behalf of a person who is excluded from voting on those Resolutions and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on those Resolutions; or
- (b) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises

the Chair to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

The Chair intends to exercise all available proxies in favour of Resolution 1 and Resolutions 8 to 13 (inclusive).

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### 3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 31 December 2015.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.carbineresources.com.au](http://www.carbineresources.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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### 4. Resolution 1 - Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Part 2G.2, Division 9 of the Corporations Act provides Shareholders with the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2015 annual general meeting. If the Remuneration Report receives a Strike at this Meeting (2016 annual general meeting), Shareholders should be aware that if a second Strike is received at the 2017 annual general meeting, this may result in the re-election of the Board.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 1.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

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## **5. Resolutions 2 and 3 - Re-election of Directors - Messrs Fitzgerald and Brock**

Article 6.2(b) of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to Article 6.3(j) of the Constitution and Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders.

On 13 April 2016, Mr John Fitzgerald was appointed as Non-Executive Chairman and Mr Graham Brock was appointed as Non-Executive Director of the Company.

Accordingly, Messrs Fitzgerald and Brock resign as Directors at this annual general meeting and being eligible seek approval to be re-elected as Directors.

Mr Fitzgerald is an experienced mining and finance executive and is also a non-executive director of Northern Star Resources Limited (ASX: NST), Danakali Limited (ASX: DNK) and Dakota Minerals Limited (ASX: DKO). Prior to these roles, Mr Fitzgerald was previously Chairman of Integra Mines and Atherton Resources and has held senior positions at NM Rothschild & Sons, Investec Bank Australia, Commonwealth Bank and HSBC Precious Metals.

Mr Brock is a metallurgist with over 40 years' experience in the mining industry, and in particular gold and base metal projects. He has been involved in the full range of mine development activities from feasibility through construction, commissioning and operations. Mr Brock has been previously involved in development of several successful

gold mines including Golden Crown, Westonia, Wirralie, Waihi, Big Bell, Mt Hogan, Salsigne and Stawell. Within the base metal sector, he was also part of the successful development of Mt Keith, Lake Johnston, Kambalda, Honeymoon Well, Black Swan, Golden Grove, Wheal Jane and Namosi.

The Board (excluding Mr John Fitzgerald) recommends that Shareholders vote in favour of Resolution 2.

The Board (excluding Mr Graham Brock) recommends that Shareholders vote in favour of Resolution 3.

Resolutions 2 and 3 are ordinary resolutions.

The Chair intends to exercise all available proxies in favour of Resolutions 2 and 3.

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## **6. Resolution 4 - Approval of 10% Placement Facility**

### **6.1 General**

Listing Rule 7.1A 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 (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement 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. Based on the ASX closing price on 29 April 2016, the Company has a market capitalisation of approximately \$32 million. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c) below).

The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chair intends to exercise all available proxies in favour of Resolution 4.

### **6.2 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.

#### **(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 quoted class of Equity Securities, Shares.

(c) **Formula for calculating 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:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (D) 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% 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 the issue or agreement to issue that are not issued with Shareholder approval 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 the Notice, the Company has on issue 157,020,727 Shares and has a capacity to issue:

- (i) 23,553,109 Equity Securities under Listing Rule 7.1 (subject to Shareholder approval being sought under Resolutions 5 and 6); and
- (ii) 15,702,072 Equity Securities under Listing Rule 7.1A (subject to Shareholder approval being sought under Resolution 7).

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 in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c)).

**(e) Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

**(f) 10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval 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),

(10% Placement Period).

### **6.3 Listing Rule 7.1A**

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

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

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days on which trades in that class were recorded immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If this Resolution 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 below table (in the case of Options, only if the Options are converted into Shares). There is a risk that:



- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

(c) The below table shows:

- (i) 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 the Notice;
- (ii) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (iii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2*		Dilution		
		\$0.1025 50% decrease in Issue Price	\$0.2050 Issue Price	\$0.4100 100% increase in Issue Price
Current Variable A 157,020,727 Shares	10% Voting Dilution	15,702,073 Shares	15,702,073 Shares	15,702,073 Shares
	Funds raised	\$1,609,462.45	\$3,218,924.90	\$6,437,849.81
50% increase in current Variable A 235,531,091 Shares	10% Voting Dilution	23,553,109 Shares	23,553,109 Shares	23,553,109 Shares
	Funds raised	\$2,414,193.68	\$4,828,387.36	\$9,656,774.71
100% increase in current Variable A 314,041,454 Shares	10% Voting Dilution	31,404,145 Shares	31,404,145 Shares	31,404,145 Shares
	Funds raised	\$3,218,924.90	\$6,437,849.81	\$12,875,699.61

\* 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 with Shareholder approval under Listing Rule 7.1.

The table has been prepared on the following assumptions:

1. The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  2. No convertible securities (including any issued under the 10% Placement Facility) are exercised or converted into Shares before the date of the issue of the Equity Securities.
  3. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  4. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
  5. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  6. The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
  7. The issue price is \$0.205 being the closing price of the Shares on ASX on 29 April 2016.
- (d) The Company will only issue the Equity Securities during the 10% Placement Period.
- (e) The Company may seek to issue the Equity Securities for the following purposes:
- (i) cash consideration, in which case the Company intends to use funds raised for the development of the Mount Morgan Gold-Copper Project in Queensland and for general working capital; or
  - (ii) non-cash consideration for the acquisition of new projects, assets and investments including previously announced acquisitions, in such circumstances the Company will provide a valuation of the non-cash consideration as required under Listing Rule 7.1A.3.
- (f) The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.
- (g) 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:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;

- (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).
- (h) The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.

Further, if the Company is successful in acquiring new projects, assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new projects, assets or investments.

- (i) The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 4 June 2015 (**Previous Approval**).

The Company has issued 3,333,333 Shares pursuant to the Previous Approval.

In the 12 months preceding the date of the 2016 Annual General Meeting and as at the date of this Notice, the Company has also issued 20,670,000 Equity Securities and this represents approximately 14.76% of the total number of Equity Securities on issue at the commencement of that 12 month period.

Details of each issue of Equity Securities by the Company during the 12 months preceding the date of the 2016 Annual General Meeting are in the table below:

Date of Issue	Number of Securities	Type of Security	Recipient of Securities	Issue Price and any discount to Market Price <sup>1</sup> (if applicable)	Consideration & Use of Funds as at the date of this Notice
7/7/15	2,500,000	Unquoted Options <sup>2</sup>	Stephen Dobson (as an incoming Director)	Nil issue price (non-cash consideration)	Consideration: performance-based services to be provided to the Company.  Current value <sup>3</sup> = \$67,150  The Options were issued for nil cash consideration and therefore no funds were raised as a result of the issue.
7/7/15	2,500,000	Unquoted options <sup>4</sup>	Stephen Dobson (as an incoming Director)	Nil issue price (non-cash consideration)	Consideration: performance-based services to be provided to the Company.  Current value <sup>3</sup> = \$55,650  The Options were issued for nil cash consideration and therefore no funds were raised as a result of the issue.

Date of Issue	Number of Securities	Type of Security	Recipient of Securities	Issue Price and any discount to Market Price <sup>1</sup> (if applicable)	Consideration & Use of Funds as at the date of this Notice
26/10/15	1,000,000	Unquoted options <sup>5</sup>	Terence Moylan, pursuant to the Employee Share Option Plan approved at the Shareholder meeting held on 14 November 2014	Nil issue price (non-cash consideration)	Consideration: performance-based services provided to the Company.  Current value <sup>3</sup> = \$32,440  The Options were issued for nil cash consideration and therefore no funds were raised as a result of the issue.
26/10/15	1,000,000	Unquoted options <sup>6</sup>	Terence Moylan, pursuant to the Employee Share Option Plan approved at the Shareholder meeting held on 14 November 2014	Nil issue price (non-cash consideration)	Consideration: performance-based services provided to the Company.  Current value <sup>3</sup> = \$28,090  The Options were issued for nil cash consideration and therefore no funds were raised as a result of the issue.
12/1/16	12,500,000	Shares	GR Engineering Services Limited	Issue price of \$0.06 representing a premium of 5.26%	Consideration of \$750,000. The funds have not yet been used.  The Company intends to use the funds for the completion of a definitive feasibility study and the development of the Mount Morgan Gold-Copper Project and for general working capital. <sup>7</sup>
18/4/16	165,512	Shares	GR Engineering Services Limited	Nil issue price (non-cash consideration)	Consideration: services provided with respect to the definitive feasibility study for an invoice dated 31 January 2016 in the amount of \$11,187.  Current value <sup>8</sup> = \$33,930.  The Shares were issued for nil cash consideration and therefore no funds were raised as a result of the issue.

Date of Issue	Number of Securities	Type of Security	Recipient of Securities	Issue Price and any discount to Market Price <sup>1</sup> (if applicable)	Consideration & Use of Funds as at the date of this Notice
18/4/16	579,687	Shares	GR Engineering Services Limited	Nil issue price (non-cash consideration)	<p>Consideration: services provided with respect to the definitive feasibility study for an invoice dated 29 February 2016 in the amount of \$48,114.</p> <p>Current value<sup>8</sup> = \$118,836.</p> <p>The Shares were issued for nil cash consideration and therefore no funds were raised as a result of the issue.</p>
18/4/16	424,801	Shares	GR Engineering Services Limited	Nil issue price (non-cash consideration)	<p>Consideration: services provided with respect to the definitive feasibility study for an invoice dated 31 March 2016 in the amount of \$65,290.</p> <p>Current value<sup>8</sup> = \$87,084</p> <p>The Shares were issued for nil cash consideration and therefore no funds were raised as a result of the issue.</p>
18/4/16	3,333,333	Shares	John Fitzgerald, Anthony James and Graham Brock (incoming Directors), and their associates	Issue price of \$0.15 each representing a discount of 28.57%	<p>Consideration of \$750,000. The funds have not yet been used.</p> <p>The Company intends to use the funds for the completion of a definitive feasibility study and the development of the Mount Morgan Gold-Copper Project and for general working capital.<sup>7</sup></p>

**Notes:**

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last Trading Day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Unquoted Options, exercisable at \$0.065 each on or before 7 July 2018.
3. Current value is as reported in the annual financial statements for the Company for the financial year ended 31 December 2015. The value of unquoted Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price,

the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).

4. Unquoted Options, exercisable at \$0.10 each on or before 7 July 2018.
  5. Unquoted Options, exercisable at \$0.0886 each on or before 26 October 2018.
  6. Unquoted Options, exercisable at \$0.1240 each on or before 26 October 2018.
  7. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
  8. The value of the Shares is based on the closing price of the Shares (\$0.205) on ASX on 29 April 2016.
- (j) A voting exclusion statement is included in the Notice.
- (k) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

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## **7. Resolution 5 - Ratification of prior issue of Options to Mr Stephen Dobson**

### **7.1 General**

On 7 July 2015, the Company appointed Mr Stephen Dobson to the Board of Directors and issued 5,000,000 Options to him as part of his agreed remuneration package.

Shareholder approval under Listing Rule 10.11 was not required for the issue of the Options as Listing Rule 10.12 Exception 6 applied.

Resolution 5 seeks the approval of Shareholders pursuant to Listing Rule 7.4 for the issue of the 5,000,000 Options to Mr Dobson.

The Board recommends that Shareholders vote in favour of Resolution 5.

Resolution 5 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 5.

### **7.2 Listing Rule 7.1 and Listing Rule 7.4**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1),

those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The 5,000,000 Options were issued to Mr Dobson within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval.

The effect of Shareholders passing Resolution 5 by ratifying the issue of the Options to Mr Dobson will be to restore the Company's ability to issue further securities, to the extent of 5,000,000 Equity Securities, during the next 12 months.

### **7.3 Specific information required by Listing Rule 7.5**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Options to Mr Dobson:

- (a) 5,000,000 Options were issued on 7 July 2015;
- (b) the Options were issued at an issue price of nil;
- (c) the Options were issued on the terms and conditions set out in Schedule 2;
- (d) the Options were issued to Mr Stephen Dobson;
- (e) no funds were raised from the issue of the Options as the Options were issued for nil cash consideration; and
- (f) a voting exclusion statement is included in the Notice.

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## **8. Resolution 6 - Ratification of prior issues of Shares to GR Engineering**

### **8.1 General**

On 23 December 2015 the Company announced that it had entered into a binding memorandum of understanding (MOU) with GR Engineering Services Limited (GR Engineering) in relation to a strategic partnership by way of a placement of 12,500,000 shares at an issue price of \$0.06 each to raise \$750,000 (before costs) and with respect to engineering design and construction activities at the Mount Morgan Gold - Copper Project.

Pursuant to the MOU, the Company issued 12,500,000 Shares to GR Engineering on 12 January 2016. The Shares were issued within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval.

On 18 April 2016, the Company issued a further 1,170,000 Shares to GR Engineering in lieu of fees for services provided by GR Engineering in relation to the definitive feasibility study being undertaken by the Company.

Resolution 6 seeks the approval of Shareholders pursuant to Listing Rule 7.4 for the issue of the 13,670,000 Shares to GR Engineering.

The Board recommends that Shareholders vote in favour of Resolution 6.

Resolution 6 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 6.

## 8.2 Listing Rule 7.1 and Listing Rule 7.4

A summary of Listing Rule 7.1 and Listing Rule 7.4 is contained in Section 7.2 above.

The effect of Shareholders passing Resolution 6 by ratifying the issue of the Shares to GR Engineering will be to restore the Company's ability to issue further securities, to the extent of 13,670,000 Equity Securities, during the next 12 months.

## 8.3 Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Shares to GR Engineering:

- (a) the following Shares were issued to GR Engineering:
  - (i) 12,500,000 Shares were issued on 12 January 2016 at an issue price of \$0.06 per Share; and
  - (ii) a total of 1,170,000 Shares were issued on 18 April 2016 at the following deemed issue prices in the following amounts:
    - (A) \$0.0676 per Share (165,512 Shares);
    - (B) \$0.0830 per Share (579,687 Shares); and
    - (C) \$0.1537 per Share (424,801 Shares);
- (b) the Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (c) the Shares were issued to GR Engineering, which is not a related party of the Company;
- (d) funds raised from the issue of 12,500,000 Shares on 12 January 2016 (\$750,000) are intended to be applied to the completion of a definitive feasibility study and the development of the Mount Morgan Gold-Copper Project and for general working capital;
- (e) no funds were raised from the issue of 1,170,000 Shares on 18 April 2016 as the Shares were issued in consideration for services provided by GR Engineering in relation to the definitive feasibility study being undertaken by the Company; and
- (f) a voting exclusion statement is included in the Notice.

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## 9. Resolution 7 - Ratification of prior issue of Director Shares

### 9.1 General

On 13 April 2016, the Company announced the appointment of Mr John Fitzgerald, Mr Anthony James and Mr Graham Brock to the Board of Directors.

On 18 April 2016, the Company issued:

- (a) 500,000 Shares to Mr Fitzgerald;



- (b) 833,334 Shares to Mr James;
  - (c) 150,000 Shares to Mr Brock; and
  - (d) 1,849,999 Shares to associates of Messrs Fitzgerald, James and Brock,
- (together, **Director Shares**) as part of their respective agreed remuneration packages.

Shareholder approval under Listing Rule 10.11 was not required for the issue of the Director Shares as Listing Rule 10.12 Exception 6 applied.

Shareholder approval was also not sought under Chapter 2E of the Corporations Act (see Section 11.2 for a summary of Chapter 2E) as the Board considered that the issue of Director Shares was reasonable remuneration which had been negotiated on arm's length terms.

Resolution 7 seeks the approval of Shareholders pursuant to Listing Rule 7.4 for the issue of the Director Shares.

As Messrs Fitzgerald, James and Brock may have a material personal interest in the outcome of Resolution 7, none of them wish to make a recommendation as to how to vote on Resolution 7. The remaining Director, Mr Evan Cranston, recommends that Shareholders vote in favour of Resolution 7.

Resolution 7 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 7.

## 9.2 Listing Rule 7.1A and Listing Rule 7.4

Listing Rule 7.1A provides that a company may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital, provided that it is an eligible entity (see summary contained in Section 6.1 above). The Company obtained approval under Listing Rule 7.1 on 4 June 2015 as the Company was an eligible entity.

Listing Rule 7.4 provides an exception to Listing Rule 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1A (and provided that the previous issue did not breach Listing Rule 7.1A), those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1A.

The Director Shares were issued within the 10% annual limit permitted under Listing Rule 7.1A, without the need for Shareholder approval.

The effect of Shareholders passing Resolution 7 by ratifying the issue of the Director Shares will be to restore the Company's ability to issue further securities, to the extent of 3,333,333 Equity Securities, during the next 12 months.

## 9.3 Specific information required by Listing Rule 7.5

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

- (a) 3,333,333 Director Shares were issued on 18 April 2016;

- (b) the Director Shares were issued at an issue price of 15 cents per Share, representing a 12.9% discount to the 15 day VWAP up to the date of agreement to issue the Shares;
- (c) the Director Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Director Shares were issued to incoming Directors (or their nominees) as follows:
  - (i) 500,000 Shares to Mr Fitzgerald;
  - (ii) 833,334 Shares to Mr James;
  - (iii) 150,000 Shares to Mr Brock; and
  - (iv) 1,849,999 Shares to the their nominees;
- (e) the funds raised from the issue of the Director Shares are intended to be applied to the development of the Mount Morgan Gold-Copper Project in Queensland and for general working capital; and
- (f) a voting exclusion statement is included in the Notice.

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## **10. Resolution 8 - Approval of Performance Rights Plan**

### **10.1 General**

The Board is intending to grant Performance Rights as part of the Company's long term incentive benefits to certain company executives (including Directors) and other key management personnel. The Company's Performance Rights Plan is a carefully designed, performance linked, equity plan used to attract and retain staff by providing them with an opportunity to participate in the creation of a financial stake in the company.

Resolution 8 seeks Shareholders approval for the adoption of the Performance Rights Plan in accordance with Listing Rule 7.2 exception 9(b), Listing Rule 10.19, and sections 200B and 200E of the Corporations Act.

A summary of the key terms and conditions of the Plan is set out in Schedule 3. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

Resolution 8 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 8.

### **10.2 Listing Rule 7.1 and Listing Rule 7.2 exception 9(b)**

A summary of Listing Rule 7.1 is contained in Section 7.2 above.

Listing Rule 7.2 exception 9(b) sets out an exception to Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years

from the date on which shareholders approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

If Resolution 8 is passed, the Company will be able to issue Performance Rights under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that the Plan has not previously been approved by Shareholders and no Performance Rights have previously been issued under the Plan.

Pursuant to the Listing Rules, Shareholders must re-approve the Plan and all unallocated Performance Rights issuable pursuant thereto every 3 years.

Any future issues of Performance Rights under the Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under Listing Rule 10.14 at the relevant time. To this extent, please refer to Resolutions 9 to 12 (inclusive) below.

### **10.3 Listing Rule 10.19**

Shareholder approval is also being sought for the purposes of Listing Rule 10.19, which provides that the Company must ensure that no officer of the Company or its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together, exceeds 5% of the equity interests of the Company as set out in the latest annual accounts given to ASX.

The value of the termination benefits payable to the officers of the Company and its child entities depends on a number of factors, including the exercise of the Board's discretion under the Performance Rights Plan. It also depends on the value of the Company's equity interests, which varies over time. Accordingly, it is possible that the provision of the benefits the subject of this Resolution 8 could mean that the value of the termination benefits that are or may become payable to all officers exceeds this 5% threshold.

### **10.4 Sections 200B and 200E of the Corporations Act**

The Corporations Act prohibits the Company (and, among others, its Related Bodies Corporate) from giving a person a benefit in connection with their ceasing to hold a "managerial or executive office" unless it is approved by Shareholders or an exemption applies.

The term "benefit" in this context is broad and would likely extend to any removal of an automatic lapsing requirement. As outlined in the summary of the Plan in paragraph 7 of Schedule 3, the Board has the discretion to determine that, upon a relevant person ceasing to be an eligible participant, some or all of the Performance Rights will not automatically lapse.

The Board's current position is only to exercise its discretion to remove the automatic lapsing requirement where the eligible participant ceases their employment with the Company through no fault of their own.

As no exemption applies, Shareholder approval is sought so that the removal of the automatic lapsing requirement in respect of any Performance Rights do not count towards the maximum termination benefits payable without Shareholder approval.

If Resolution 8 is not approved, eligible participants who hold a Managerial or Executive Office may not be able to receive the benefit described above, which is otherwise available to all other eligible participants unless Shareholder approval is obtained.

The value of the benefit that might be given by the exercise of the Board's discretion under the Performance Rights Plan will depend on a number of factors. Accordingly, the precise value of the removal of the automatic lapsing requirement cannot be ascertained at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the benefits are also unknown:

- (a) the number of Performance Rights held by the relevant person prior to the cessation of their employment;
- (b) reasons for the cessation of employment and the person's length of service;
- (c) the extent of the term of the Performance Rights that has elapsed;
- (d) the extent to which any performance conditions have been satisfied; and
- (e) the exercise of the Board's discretion at the relevant time.

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## **11. Resolutions 9 - 12 - Issue of Performance Rights to related parties - Messrs Fitzgerald, James, Brock and Cranston**

### **11.1 General**

The Company has agreed, subject to obtaining Shareholder approval and to the adoption of the Plan (refer Resolution 8), to issue a total of 13,000,000 Performance Rights in the amounts set out in and to the parties listed in Schedule 4, all of whom are Directors, namely Messrs Fitzgerald, James, Brock and Cranston (**Eligible Directors**).

Resolutions 9 to 12 (inclusive) seek Shareholder approval for the issue of the Performance Rights under the Plan to the Eligible Directors (or their nominees). Shareholder approval is required under Listing Rule 10.14 where an entity issues, or agrees to issue, securities to a director (or associate of a director) under an employee incentive scheme.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rules 7.1 or 10.11 is not required.

Resolutions 9 to 12 (inclusive) are ordinary resolutions and are subject to the approval of Resolution 8.

The Chair intends to exercise all available proxies in favour of Resolutions 9 to 12 (inclusive).

### **11.2 Chapter 2E of the Corporations Act**

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights constitutes giving a financial benefit and the Eligible Participates are related parties of the Company by virtue of being Directors.

The Directors (other than Mr John Fitzgerald who has a material personal interest in Resolution 9) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Performance Rights to Mr Fitzgerald because the grant of the Performance Rights is considered reasonable remuneration given the Company's circumstances.

The Directors (other than Mr Anthony James who has a material personal interest in Resolution 10) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Performance Rights to Mr James because the grant of the Performance Rights is considered reasonable remuneration given the Company's circumstances.

The Directors (other than Mr Graham Brock who has a material personal interest in Resolution 11) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Performance Rights to Mr Brock because the grant of the Performance Rights is considered reasonable remuneration given the Company's circumstances.

The Directors (other than Mr Evan Cranston who has a material personal interest in Resolution 12) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Performance Rights to Mr Cranston because the grant of the Performance Rights is considered reasonable remuneration given the Company's circumstances.

### **11.3 Technical information required by Listing Rule 10.15**

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of Performance Rights to the Eligible Directors:

- (a) the Eligible Directors (set out in Schedule 4) are John Fitzgerald, Anthony James, Graham Brock and Evan Cranston;
- (b) the maximum number of Performance Rights to be issued to the Eligible Directors (or their nominees) is up to 13,000,000 Performance Rights, as set out in Schedule 4;
- (c) the Eligible Directors may each acquire one (1) Share for each Performance Right held, however the ability of the Eligible Directors to convert the Performance Rights is subject to the milestones set out in Schedule 5;
- (d) the Performance Rights are being issued to the Eligible Directors for nil cash consideration and otherwise on the terms and conditions set out in Schedule 5;
- (e) no Performance Rights have previously been issued under the Plan nor has the Plan previously been adopted by Shareholders;
- (f) all Directors are entitled to participate in the Plan;
- (g) the Performance Rights will be issued to the Eligible Directors no later than 12 months after the date of the Meeting (or such later date as permitted by

any ASX waiver or modification of the Listing Rules) and it is anticipated the Performance Rights will be issued on one date; and

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

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## 12. Resolution 13 - Approval of Termination Benefit Provisions for Mr Anthony James

### 12.1 General

As announced on 13 April 2016, the Company has entered into an executive services agreement with Mr Anthony James in respect of his engagement as Managing Director of the Company (**Executive Services Agreement**).

Resolution 13 seeks the approval of Shareholders under sections 200B and 200E of the Corporations Act and ASX Listing Rule 10.19 for termination benefits that Mr James will be entitled to receive pursuant to the terms of the Executive Services Agreement and the Performance Rights Plan if his employment with the Company is terminated.

Other than Mr Anthony James, who has a material personal interest in the outcome of Resolution 13, the Board recommends that Shareholders vote in favour of Resolution 13.

Resolution 13 is an ordinary resolution.

The Chairman intends to vote all undirected proxies in favour of Resolution 13.

### 12.2 Corporations Act approval

(a) **Sections 200B and 200E of the Corporations Act**

A summary of sections 200B and 200E of the Corporations Act is contained in Section 10.4 above.

Whilst Mr James does not yet technically hold a "managerial or executive office" for the purposes of section 200AA of the Corporations (as he was appointed following the publication of the Director's Report for the previous financial year), it is acknowledged by the Company that he does hold such an office.

The term "benefit" in this context is broad and would include any payment in lieu of notice. It would also likely extend to the removal of any automatic lapsing requirement under the Performance Rights Plan in respect of any Performance Rights held by Mr James at the time of termination. However, as such payments would not be in connection with the cessation of his employment, it would not extend to:

- (i) the payment of any salary for the period up to the date of termination of employment; or
- (ii) the payment of any pro-rated cash performance bonuses for the period up to the date of termination of employment.

A payment will be exempt from the requirement to obtain Shareholder approval in circumstances where (among others):

- (i) the amount of the payment and the value of any other benefits is less than the statutory cap set by sections 200F and 200G of the Corporations Act; and
- (ii) the payment:
  - (A) is given under an agreement made between the company and the person before the person became the holder of the relevant office as consideration for the person agreeing to hold office; or
  - (B) is for past services the person rendered to the company or a related body corporate.

The statutory cap is determined by reference to the person's annual "base salary", but depends on the period in which the person has held a Managerial or Executive Office at the company (**Relevant Period**). For example:

- (i) where the Relevant Period is less than a year, the statutory cap is the person's estimated annual base salary proportionally adjusted to reflect the extent to which the Relevant Period is less than a year; and
- (ii) where the Relevant Period is one year, the statutory cap is the base salary that the person received from the company during the previous year.

**(b) Termination payments under Executive Services Agreement**

Mr James' potential payments and other benefits under the Executive Services Agreement are summarised in Section 12.4 below.

The Board considers it prudent to obtain Shareholder approval under section 200B of the Corporations Act for any termination benefits provided to Mr James under the Executive Services Agreement in case those benefits do not technically fall within one of the statutory exemptions under the Corporations Act (e.g. the statutory cap set by section 200F of the Corporations Act). The potential for this is increased by the fact that Mr James has only recently been appointed as the Company's Managing Director (meaning the Relevant Period could be less than a year).

If Shareholder approval is given, the value of any payments under the Executive Services Agreement or for past services rendered will be disregarded when applying section 200F(2)(b) or section 200G(1)(c) of the Corporations Act, which set a statutory cap for such benefits.

The amount of any termination payment that may be made to Mr James will depend on a number of factors, including his remuneration, the circumstances in which he leaves office and the nature of the Company's operations at the relevant time. Accordingly, the precise amount cannot be ascertained at the present time.

**(c) Termination benefits under Performance Rights Plan**

As outlined in the summary of the Performance Rights Plan in paragraph 7 of Schedule 3, the Board has the discretion to determine that, upon a relevant person ceasing to be an eligible participant, some or all of the Performance Rights will not automatically lapse.

The Board's current position is only to exercise its discretion to remove the automatic lapsing requirement where the eligible participant ceases their employment with the Company through no fault of their own.

As no exemption applies, Shareholder approval is sought so that the removal of the automatic lapsing requirement in respect of any Performance Rights held by Mr James do not count towards the maximum termination benefits payable without Shareholder approval.

Shareholder approval of Resolution 13 will (among other things) allow the Company, where appropriate, to exercise its discretion under the Performance Rights Plan in an equitable manner for all eligible participants equally.

The value of the benefit that might be given by the exercise of the Board's discretion under the terms of the Performance Rights Plan will depend on a number of factors. Accordingly, the precise value of the removal of the automatic lapsing requirement cannot be ascertained at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the benefits are also unknown:

- (i) the number of Performance Rights held by Mr James prior to the cessation of his employment;
- (ii) reasons for the cessation of employment and the member's length of service;
- (iii) the extent of the term of the Performance Rights that has elapsed;
- (iv) the extent to which any performance conditions have been satisfied; and
- (v) the exercise of the Board's discretion at the relevant time.

### 12.3 Listing Rule 10.19

A summary of Listing Rule 10.19 is contained in Section 10.3 above.

The value of the termination benefits payable to the officers of the Company and its child entities depends on a number of factors, including the exercise of the Board's discretion under the Performance Rights Plan. It also depends on the value of the Company's equity interests, which varies over time. Accordingly, it is possible that the provision of the benefits the subject of this Resolution 13 (and described below) could mean that the value of the termination benefits that are or may become payable to all officers exceeds this 5% threshold.

### 12.4 Remuneration and Incentive Arrangements

Mr James' base salary, short-term incentive entitlements and long-term incentive entitlements (including under the Performance Rights Plan) are as follows:

- (a) **Base Salary:** \$300,000 gross per annum plus superannuation of an amount nominated by Mr James and agreed to by the Company, which amount shall not be less than statutory requirements;
- (b) **Short-Term Incentives:** eligibility to receive cash payments, at the sole discretion of the Board, not exceeding 50% of the Base Salary per annum if the key performance indicators for the relevant year (as determined by the



Board) are achieved. Mr James can elect to have the Short Term Incentive paid in whole or part in Shares (valued at the 5 day VWAP calculated on 1 January each year); and

- (c) **Long-Term Incentives:** eligibility to receive long term incentives in the form of Performance Rights. It is proposed under Resolution 10 to grant Mr James up to 9,000,000 Performance Rights under the Performance Rights Plan on the terms set out in Schedule 5.

## 12.5 Termination Provisions

The Executive Services Agreement contains the following termination provisions:

<b>Mr James may resign:</b>	<b>Proposed termination payment provisions:</b>
(a) immediately by written notice to the Company if the Company is in breach of a material term of the Executive Services Agreement	Other Termination Payments*
(b) by giving 2 weeks' written notice at any time within the 6 month period following the occurrence of:	
(i) a material diminution (which is not as a consequence of a change in control event) in respect of his position, including authority, duties, status, responsibilities, reporting relationship with the Board, the position location or salary and/or benefits; or	Payment in lieu of 12 months' notice and Other Termination Payments*
(ii) a change in control event	Other Termination Payments*
(c) by giving 6 months' written notice to the Company at any time	Payment in lieu of 6 months' notice, or a combination of 6 months' notice and payment in lieu of notice, and Other Termination Payments*
<b>The Company may terminate the Executive Services Agreement:</b>	<b>Proposed termination payment provisions:</b>
(a) at any time during the pre-production period by giving Mr James 6 months' written notice	Payment in lieu of 6 months' notice, or a combination of 6 months' notice and payment in lieu of notice
(b) at any time during the production period by giving Mr James 12 months' written notice	Payment in lieu of 12 months' notice, or a combination of 12 months' notice and payment in lieu of notice
(c) at any time by giving Mr James 6 months' written notice if Mr James becomes sick or incapacitated and as a consequence is unable to fulfil the duties of the position for a continuous period exceeding 3 months or separate	Payment in lieu of 6 months' notice, or a combination of 6 months' notice and payment in lieu of notice, and Other Termination Payments*

periods totalling more than 3 months in any 12 month period	
(d) summarily in certain circumstances, including in the case of serious misconduct or where Mr James becomes bankrupt	Other Termination Payments*

\* **Note:** Other Termination Payments include statutory entitlements, outstanding business expenses and consideration by the Board of short term incentives and long term incentives on a pro rata basis for the performance year during which the employment has been terminated.

As noted above, Resolution 13 seeks approval for the giving of benefits in connection with the termination of Mr James' employment. Please note as follows:

- (a) any payment in lieu of notice under the Executive Services Agreement and the removal of any automatic lapsing requirement under the Performance Rights Plan in respect of any Performance Rights held by Mr James at the time of termination would be considered to be benefits in connection with the termination of Mr James' employment; and
- (b) the payment of any salary, or the payment of any pro-rated cash performance bonuses, for the period up to the date of termination of employment under the Executive Services Agreement would not be considered benefits in connection with the termination of Mr James' employment.

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## 13. Resolution 14 - Replacement of Constitution

### 13.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 14 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and the Listing Rules.

This will incorporate amendments to the Corporations Act and the Listing Rules since the current Constitution was adopted in 2011.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- (a) updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- (b) expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Memorandum, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary.

Shareholders are invited to contact the Company if they have any queries or concerns.

## 13.2 Summary of material proposed changes

### (a) Fee for registration of off market transfers (clause 4.6)

On 24 January 2011, ASX amended Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 4.6 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

### (b) Dividends (clause 10)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (i) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

### (c) Partial (proportional) takeover provisions

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.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

### **13.3 Information required by section 648G of the Corporations Act**

#### **(a) Effect of proposed proportional takeover provisions**

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

#### **(b) Reasons for proportional takeover provisions**

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

#### **(c) Knowledge of any acquisition proposals**

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

#### **(d) Potential advantages and disadvantages of proportional takeover provisions**

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (i) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (ii) assisting in preventing Shareholders from being locked in as a minority;

- (iii) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (iv) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (v) proportional takeover bids may be discouraged;
- (vi) lost opportunity to sell a portion of their Shares at a premium; and
- (vii) the likelihood of a proportional takeover bid succeeding may be reduced.

(e) **Recommendation of the Board**

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 14.

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## 14. Resolution 15 - Section 195 Approval

In accordance with section 195 of the Corporations Act, a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

The Directors may have a material personal interest in the outcomes of Resolutions 7, 8, and 10 to 13 (inclusive).

In the absence of Resolution 15, the Directors may not be able to form a quorum at Directors' meetings necessary to carry out the terms of Resolutions 7, 8, and 10 to 13 (inclusive).

The Directors accordingly exercise their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

Resolution 15 is an ordinary resolution.

## Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**10% Placement Facility** has the meaning given in Section 6.1.

**10% Placement Period** has the meaning given in Section 6.2(f).

**Article** means an article of the Constitution.

**ASX** means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**ASIC** means the Australian Securities and Investments Commission.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors.

**Business Day** means a day (not being a Saturday or Sunday) on which banks are open for general banking business in Perth, Western Australia.

**Chair** means the person appointed to chair the Meeting of the Company convened by the Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Carbine Resources Limited ACN 122 976 818.

**Constitution** means the constitution of the Company as at the date of the Meeting.

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

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

**Directors' Report** means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Eligible Directors** has the meaning given in Section 11.1.

**Equity Security** has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

**Executive Services Agreement** has the meaning given in Section 12.1.

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**GR Engineering** means GR Engineering Services Limited ACN 121 542 738.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Listing Rules** means the listing rules of ASX.

**Managerial or Executive Office** has the meaning given in Section 200AA(1) of the Corporations Act.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

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

**Option** means an option to acquire a Share.

**Optionholder** means a person who holds an Option.

**Performance Right** means a performance right granted under the Plan and issued on the terms and conditions contained in Schedule 5.

**Performance Rights Plan** or **Plan** means the Company's Performance Rights Plan, a summary of which is set out in Schedule 3.

**Proposed Constitution** has the meaning given in Section 13.1.

**Proxy Form** means the proxy form attached to the Notice.

**Related Body Corporate** has the same meaning as the definition of that term in section 50 of the Corporations Act.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

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

**Schedule** means a schedule to the Notice.

**Section** means a section of the Explanatory Memorandum.

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

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

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**VWAP** means volume weighted average price.

**WST** means Western Standard Time being the time in Perth, Western Australia.

## Schedule 2 - Terms and Conditions of Options

Each Option entitles the holder to subscribe for Shares on the following terms and conditions:

1. Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
2. The Options will expire at 5:00 pm (WST) on the date which is 3 years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
3. The amount payable upon exercise of each Option will be:
  - (a) 2,500,000 Options at \$0.065 each; and
  - (b) 2,500,000 Options at \$0.10 each,**(Exercise Price)**.
4. The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
5. An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (a) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (b) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,**(Exercise Notice)**.
6. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
7. Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
8. All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
9. The Company will not apply for quotation of the Options on ASX.
10. Subject to the Corporations Act, the Constitution and Listing Rules, the Options are freely transferable.
11. The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
12. If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and Listing Rules at the time of the reconstruction.
13. There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to



Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

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

## Schedule 3 - Summary of Performance Rights Plan

### 1. Eligible Participants

A Director, full time, part time or casual employee of the Company and certain contractors (current or prospective) who is declared by the Board to be eligible to receive grants of Performance Rights under the Performance Rights Plan (**Eligible Participant**).

### 2. Offers

The Board may, from time to time, at its absolute discretion, make an offer to an Eligible Participant under the Performance Rights Plan to apply for up to a specified number of Performance Rights, upon the terms of the Performance Rights Plan and on such additional terms and conditions as the Board determines (**Offer**).

### 3. Performance Rights

Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one Share.

### 4. Limit on Offers

The Company must have reasonable grounds to believe, when making an Offer, that the number of Shares to be received on exercise of Performance Rights offered under an Offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on Class Order 14/1000 (**Class Order**) at any time during the previous 3 year period under:

- (a) an employee incentive scheme covered by the Class Order; or
- (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme,

but disregarding an offer made, or Performance Rights acquired or Shares issued by way of or as a result of:

- (c) an offer to a person situated at the time of receipt of the offer outside Australia;
- (d) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (e) an offer made under a disclosure document,

will not exceed 5% of the total number of Shares on issue at the date of the Offer (or such other maximum permitted under any ASIC Class Order providing relief from the disclosure regime of the Corporations Act).

### 5. Not transferrable

Performance Rights are only transferrable in special circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.

## 6. Vesting Conditions

A Performance Right may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Performance Right (**Vesting Conditions**).

## 7. Vesting

Subject to the terms of any offer, a Performance Right will vest where Vesting Conditions are satisfied or where, despite Vesting Conditions not being satisfied, the Board (in its absolute discretion) resolves that unvested Performance Rights have vested as a result of:

- (a) a relevant person ceasing to be an Eligible Participant due to special circumstances;
- (b) a relevant person suffering severe financial hardship;
- (c) a change of control occurring or the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.

## 8. Exercise of vested Performance Right

A Participant may, subject to the terms of any offer, exercise any vested Performance Right at any time after the Board notifies that the Performance Right has vested and before it lapses.

## 9. Issue of Shares

Subject to the Corporations Act, the Listing Rules, the Plan and the terms of any offer under the Plan, within 10 days of receipt of a valid notice of exercise for Performance Rights, the Board must issue or transfer one (1) Share, free of encumbrances, to the Participant or his or her personal representative for each Performance Right exercised.

## 10. Lapse of a Performance Right

Subject to the terms of any offer, a Performance Right will lapse upon the earlier to occur of:

- (a) an unauthorised dealing in, or hedging of, the Performance Right;
- (b) a Vesting Condition in relation to the Performance Right is not satisfied by its due date, or becomes incapable of satisfaction, unless the Board exercises its discretion to vest the Performance Right under a good leaver exception (e.g. due to death, total and permanent disability, retirement or redundancy or financial hardship) or change of control event;
- (c) in respect of unvested Performance Rights only, where a relevant person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right under a good leaver exception or change of control event or resolves to allow the unvested Performance Right to remain unvested after the relevant person ceases to be an Eligible Participant;
- (d) in respect of a vested Performance Right only, where a relevant person ceases to be an Eligible Participant and the Performance Right granted is not exercised within one (1) month of the date the relevant person ceases to be an Eligible Participant;

- (e) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
- (f) the Company undergoes a change in control or winding up, and the Board does not exercise its discretion to vest the Performance Right; and
- (g) the expiry date of the Performance Right.

#### **11. Shares**

All shares issued under the Performance Rights Plan will rank equally in all respects with the Shares of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue.

#### **12. Quotation of Shares**

If Shares of the same class as those allotted under the Plan are quoted on the ASX, the Company will, subject to the Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any restriction period applying to the disposal of Shares ends.

#### **13. Share sale restrictions**

The Board may, in its discretion, determine at any time up until exercise of Performance Rights, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Performance Rights (**Restricted Shares**), up to a maximum of seven (7) years from the date the Performance Rights are granted (**Restriction Period**). Other than any Restriction Period, there will be no transfer restrictions on Shares issued or transferred under the Plan unless the sale, transfer or disposal would require the preparation of a disclosure document.

The Company will issue, where required to enable Shares issued or transferred on exercise of Performance Rights to be freely tradeable on the ASX, a cleansing statement at the time the shares are issued.

#### **14. No participation rights**

There are no participating rights or entitlements inherent in the Performance Rights and participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

#### **15. No change**

A Performance Right does not confer the right to a change in the number of underlying Shares over which the Performance Right can be exercised.

#### **16. Reorganisation**

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a participant are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.

#### **17. Deferred taxation**

Subdivision 83A-C of the Income Tax Assessment Act 1997 applies to Performance Rights granted under the Plan except to the extent an offer provides otherwise.

## 18. Amendments

Subject to express restrictions set out in the Plan and complying with the Corporations Act, Listing Rules and any other applicable law, the Board may at any time by resolution amend or add to all or any of the provisions of the Plan, or the terms or conditions of any Performance Right granted under the Plan including giving any amendment retrospective effect.

## 19. Restrictions on amendments

Without the consent of the Participant, no amendment may be made to the terms of any granted Performance Right which reduced the rights of the Participant in respect of that Performance Right, other than an amendment introduced primarily:

- (a) for the purpose of complying with or conforming to present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake;
- (c) to enable a member of the Company to comply with the Corporations Act, the Listing Rules, applicable foreign law, or a requirement, policy or practice of the ASIC or other foreign or Australian regulatory body; or
- (d) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a court of competent jurisdiction.

### Schedule 4 - Recipients of Performance Rights

Eligible Director	Performance Rights				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	TOTAL
John Fitzgerald	300,000	700,000	400,000	600,000	2,000,000
Anthony James	1,350,000	3,150,000	1,800,000	2,700,000	9,000,000
Graham Brock	150,000	350,000	200,000	300,000	1,000,000
Evan Cranston	150,000	350,000	200,000	300,000	1,000,000
<b>TOTAL</b>	<b>1,950,000</b>	<b>4,550,000</b>	<b>2,600,000</b>	<b>3,900,000</b>	<b>13,000,000</b>

## Schedule 5 - Terms and conditions of Performance Rights

The terms of Performance Rights are set out as follows:

### 1. Milestones

The Performance Rights will be granted in four tranches and have the following milestones attached to them:

Performance Rights	Milestones	Milestone Date
Tranche 1	ASX announcement of successful completion of a definitive feasibility study for the Mount Morgan Project.	30 September 2016
Tranche 2	ASX announcement of successful completion of the project funding arrangements for the Mount Morgan Project.	31 March 2017
Tranche 3	ASX announcement of successful completion of construction of the mine for the Mount Morgan Project.	31 December 2017
Tranche 4	ASX announcement of achievement of commercial production of the Mount Morgan Project	30 June 2018

### 2. Consideration

The Performance Rights will be issued for no cash consideration.

### 3. Notification to holder

The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

### 4. Vesting

If the Performance Rights are achieved by the relevant Milestone Date, the Performance Rights will vest on the date the Milestone relating to that Performance Right has been satisfied.

### 5. Conversion

Upon vesting, each Performance Right will, at the election of the holder, convert into one fully paid ordinary share in the Company (**Share**).

### 6. Lapse

A Performance Right will lapse upon the earlier to occur of:

- (a) a Milestone in relation to the Performance Right not being satisfied by the relevant Milestone Date, or becoming incapable of satisfaction as determined by the Board in its absolute discretion (and which may be extended by the Board using its discretion under paragraph 7);

- (b) the Board deeming that a Performance Right lapses due to fraud, dishonesty or other improper behaviour; and
- (c) the 5 year anniversary of the date of grant of the Performance Right (**Expiry Date**).

**7. Board's discretion**

If a Milestone is not achieved by the relevant Milestone Date, then the Board has the discretion to extend the relevant Milestone Date, including in circumstances of unforeseen events or market conditions, provided that such date does not extend beyond the Expiry Date.

**8. Share ranking**

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

**9. Quotation of Shares on ASX**

The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.

**10. Transfer of Performance Rights**

The Performance Rights are not transferrable.

**11. Participation in entitlements and bonus issues**

Subject always to the rights under paragraphs 12 and 13, holders of Performance Rights will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

**12. Adjustment for bonus issue**

If securities are issued pro-rata to shareholders generally by way of bonus issue (other than an issue in lieu of dividends by way of dividend reinvestment), the number of Performance Rights to which each holder is entitled will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and the Listing Rules at the time of the bonus issue.

**13. Reorganisation of capital**

In the event that the issued capital of the Company is reconstructed, all rights of a holder will be changed to the extent necessary to comply with the Listing Rules at the time of reorganisation provided that, subject to compliance with the Listing Rules, following such reorganisation the economic and other rights of the holder are not diminished or terminated.

**14. Dividend and voting rights**

The Performance Rights do not confer on the holder an entitlement to vote or receive dividends.



15. Change in control

Upon:

- (a) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and:
  - (i) having received acceptances for not less than 50.1% of the Company's shares on issue; and
  - (ii) having been declared unconditional by the bidder; or
- (b) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

then, to the extent Performance Rights have not vested due to satisfaction of a Milestone, Performance Rights will automatically vest to that number of Shares which when issued together with all Shares issued under any other class of Performance Rights then on issue in the Company, is equal to the lesser of one Share per Performance Right and 10% of the total Shares on issue at that time. Performance Rights that are not vested and converted into Shares will continue to be held by the holder on the same terms and conditions.