
LACONIA RESOURCES LIMITED

ACN 137 984 297

NOTICE OF GENERAL MEETING

TIME: 11.30am (WST)

DATE: 27 May 2014

PLACE: The Celtic Club, 48 Ord Street, West Perth

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9486 1599.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the meeting of the Shareholders to which this Notice of Meeting relates will be held at 11.30am (WST) on 27 May 2014 at:

The Celtic Club, 48 Ord Street, West Perth.

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

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 Shareholders at 4:00pm (WST) on 25 May 2014.

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not

specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

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

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

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

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

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

Transfer of non-chair proxy to chair in certain circumstances

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

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

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

BUSINESS OF THE MEETING

AGENDA

1. **RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – TRANCHE 1 PLACEMENT – ASX LISTING RULE 7.1A**

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 31,441,611 Placement Shares on the terms and conditions set out in the Explanatory Statement.”

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

2. **RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – TRANCHE 1 PLACEMENT – ASX LISTING RULE 7.1**

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 51,058,389 Placement Shares on the terms and conditions set out in the Explanatory Statement.”

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

3. **RESOLUTION 3 – TRANCHE 2 PLACEMENT**

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 27,500,000 Placement Shares, 55,000,000 Free Attaching Options and 55,000,000 Placement Options on the terms and conditions set out in the Explanatory Statement.”

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

4. RESOLUTION 4 – PARTICIPATION IN TRANCHE 2 PLACEMENT – RELATED PARTY

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,750,000 Placement Shares and 875,000 Free Attaching Options to Mrs Helen Margaret Edmondson (or her nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Matthew Edmondson and Helen Margaret Edmondson (and her nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR IAN STUART

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 3,400,000 Related Party Performance Rights to Mr Ian Stuart (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Ian Stuart (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 6 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR MATTHEW HOWISON

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 3,400,000 Related Party Performance Rights to Mr Ian Stuart (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Matthew Howison (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR MATTHEW EDMONDSON

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 3,400,000 Related Party Performance Rights to Mr Matthew Edmondson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Matthew Edmondson (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or

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

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 – ISSUE OF RELATED PARTY INCENTIVE OPTIONS TO RELATED PARTY – MR IAN STUART

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,000,000 Related Party Incentive Options to Mr Ian Stuart (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Ian Stuart (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

9. **RESOLUTION 9 – ISSUE OF RELATED PARTY INCENTIVE OPTIONS TO RELATED PARTY – MR MATTHEW HOWISON**

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,000,000 Related Party Incentive Options to Mr Matthew Howison (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Saliba Sassine (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

10. **RESOLUTION 10 – ISSUE OF RELATED PARTY INCENTIVE OPTIONS TO RELATED PARTY – MR MATTHEW EDMONDSON**

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,000,000 Related Party Incentive Options to Mr Matthew Edmondson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Vincent Algar (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or

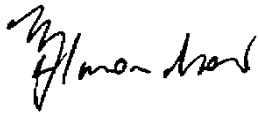
- (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 22 APRIL 2014

BY ORDER OF THE BOARD



**MATTHEW EDMONDSON
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. BACKGROUND

On 25 March 2014, the Company announced a capital raising to raise \$885,500 through a placement to sophisticated and professional investors (**Placement**).

The Company has engaged the services of CPS Capital Group Pty Ltd (AFSL 294 848) (**CPS Capital**) to lead manage the Placement.

The funds raised under the Placement will be used primarily to progress the exploration programmes of the Company at its Kimsa Orcco Project in Peru, and meeting option obligations in respect of the Kimsa Orcco Project ¹ as well as proving working capital.

The Placement contemplates the issue of up to:

- (a) 110,000,000 fully paid ordinary shares in the capital of the Company (**Placement Shares**) at an issue price of \$0.008 per Share together with 55,000,000 free attaching Options (**Free Attaching Options**) to be issued on the basis of one (1) Free Attaching Option for every two (2) Shares subscribed for and issued; and
- (b) 55,000,000 Options at an issue price of \$0.0001 per Option (**Placement Options**),

to sophisticated and professional investors (consisting of both existing and new Shareholders) who are clients of CPS, comprising of two tranches:

- (c) a first tranche of 82,500,000 Shares on 25 March 2014 and 28 March 2014 (**Tranche 1 Placement Shares**), which raised approximately \$660,000 before transaction costs (**Tranche 1 Placement**); and
- (d) a second tranche of up to 27,500,000 Placement Shares, 55,000,000 Free Attaching options and 55,000,000 Placement Options on or about 29 May 2014 (**Tranche 2 Placement Securities**) to raise approximately \$225,500 before transaction costs. The issue of the Tranche 2 Placement Securities is conditional on Resolution 3 being approved by Shareholders (**Tranche 2 Placement**).

2. RESOLUTIONS 1 AND 2 – RATIFICATION OF PRIOR ISSUE – TRANCHE 1 PLACEMENT

2.1 Resolution 1

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 31,441,611 Placement Shares issued without Shareholder approval pursuant to the Company's placement capacity under ASX Listing Rule 7.1A

¹ Refer ASX Release 26 March 2013

which was approved by Shareholders at the Company's previous annual general meeting held on 8 November 2013.

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period the approval is valid a number of equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1A those securities will from that date be included in variable "A" in the formula in ASX Listing Rules 7.1 and 7.1A.2 for the purpose of calculating the annual placement capacity of the Company under both ASX Listing Rules 7.1 and 7.1A.

By ratifying the issue the subject of Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 10% annual placement capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

2.2 Resolution 2

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 51,058,389 Placement Shares issued without Shareholder approval pursuant to the Company's placement capacity under ASX Listing Rule 7.1.

ASX 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.

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

By ratifying the issue the subject of Resolution 2, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.3 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Resolutions 1 and 2:

- (a) 82,500,000 Placement Shares were issued on the following basis:
 - (i) 31,441,611 Placement Shares issued pursuant to ASX Listing Rule 7.1A; and
 - (ii) 51,058,389 Placement Shares issued pursuant to ASX Listing Rule 7.1;

- (b) the issue price was \$0.008 per Placement Share;
- (c) the Placement Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Placement Shares were issued to clients of CPS Capital and none of these subscribers are related parties of the Company; and
- (e) the funds raised from the Tranche 1 Placement (approximately \$660,000 before transaction costs) are being used to fund exploration programs of the Company at its Kimsa Orcco Project in Peru and meeting option obligations relating to the Kimsa Orcco Project as well as providing working capital.

3. RESOLUTION 3 – TRANCHE 2 PLACEMENT

3.1 General

Resolution 3 seeks Shareholder approval for the issue of the Tranche 2 Placement Securities in order to complete the Tranche 2 Placement.

A summary of ASX Listing Rule 7.1 is set out in section 2.2 above.

The effect of Resolution 3 will be to allow the Company to issue the Tranche 2 Placement Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Tranche 2 Placement Securities and the Tranche 2 Placement:

- (a) the maximum number of securities to be issued is:
 - (i) 27,500,000 Placement Shares;
 - (ii) 55,000,000 Free Attaching Options; and
 - (iii) 55,000,000 Placement Options;
- (b) the Tranche 2 Placement Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Tranche 2 Placement Securities will occur on the same date as, or as soon as practically possible following the Meeting;
- (c) the issue price for the Tranche 2 Placement Securities will be as follows:
 - (i) \$0.008 per Share in respect of the Placement Shares;
 - (ii) nil in respect of the Free Attaching Options; and
 - (iii) \$0.0001 in respect of the Placement Options;

- (d) the Tranche 2 Placement Securities will be issued on the following basis:
- (i) the Placement Shares and the Placement Options to clients of CPS Capital; and
 - (ii) the Free Attaching Options to subscribers in the Placement on the basis of one (1) Free Attaching Option for every two (2) Placement Shares subscribed for and issued,
- and, other than as set out in Resolution 4, none of these subscribers will be related parties of the Company;
- (e) the Placement Shares will be issued on the same terms and conditions as the Company's existing Shares;
- (f) the Free Attaching Options and the Placement Options will be issued on the terms and conditions set out in Schedule 1;
- (g) the funds raised from the Tranche 2 Placement (approximately \$225,500 before transaction costs) will be used to fund exploration programs of the Company at its Kimsa Orcco Project in Peru and meeting option obligations relating to the Kimsa Orcco Project as well as providing working capital.

4. RESOLUTION 4 – PARTICIPATION IN TRANCHE 2 PLACEMENT – RELATED PARTY

4.1 General

Pursuant to Resolutions 3 the Company is seeking Shareholder approval for the issue of the Tranche 2 Placement Securities as contemplated under the Tranche 2 Placement.

Mrs Helen Margaret Edmondson (or her nominee) (**Mrs Edmondson**) wishes to participate in the Tranche 2 Placement.

Resolution 4 seeks Shareholder approval for the in the issue of up to 1,750,000 Placement Shares and 875,000 Free Attaching Options to Mrs Edmondson (**Participation**).

4.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 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 Participation will result in the issue of Placement Shares and Free Attaching Options which constitutes giving a financial benefit and Mrs Edmondson is a related party of the Company by virtue of being the mother of Mr Matthew Edmondson who is a Director of the Company.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Placement Shares and Free Attaching Options will be issued to Mrs Edmondson on the same terms as Shares issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

4.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Participation involves the issue of Placement Shares and Free Attaching Options to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

4.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Placement Shares and Free Attaching Options will be issued to Mrs Edmondson;
- (b) the maximum number of securities to be issued is:
 - (i) 1,750,000 Placement Shares; and
 - (ii) 875,000 Free Attaching Options;
- (c) the Placement Shares and Free Attaching Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date as or as soon as practically possible following the Meeting;
- (d) the issue price will be:
 - (i) \$0.008 per Share in respect of the Placement Shares; and
 - (ii) nil in respect of the Free Attaching Options,being the same as all other Placement Shares and Free Attaching Options issued under the Placement;
- (e) the Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Free Attaching Options will be issued on the terms and conditions set out in Schedule 1;

- (g) the funds raised will be used for the same purposes as all other funds raised under the Placement as set out in section 3.2(g) of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Placement Shares and Free Attaching Options to Mrs Edmondson (or her nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

5. RESOLUTIONS 5, 6 AND 7 – ISSUE OF PERFORMANCE RIGHTS TO DIRECTORS

5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 10,200,000 performance rights (**Related Party Performance Rights**) to Mr Ian Stuart, Mr Matthew Howison and Mr Matthew Edmondson (**Related Parties**) on the terms and conditions set out below.

The primary purpose of the grant of the Related Party Performance Rights to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors.

5.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

A summary of Chapter 2E of the Corporations Act is set out in section 4.2 of this Explanatory Statement.

The grant of the Related Party Performance Rights constitutes giving a financial benefit and Mr Ian Stuart, Mr Matthew Howison and Mr Matthew Edmondson are related parties of the Company by virtue of being Directors.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of the Related Party Performance Rights because it is considered reasonable remuneration in the circumstances.

A summary of ASX Listing Rule 10.11 is set out in section 4.3 of this Explanatory Statement.

It is the view of the Company that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Performance Rights to the Related Parties.

5.3 Summary of the material terms of the Performance Rights

It is proposed that the Related Parties be granted one class of Performance Rights as set out below, for nil consideration.

Each Related Party Performance Right will vest as one Share as follows:

Tranche	Number of Performance Rights Vesting (%)	Vesting Condition
Tranche 1	5,100,000	<p>The date (Tranche 1 Vesting Date), which must be prior to 31 December 2015, on which:</p> <p>(a) the Company (or one of its subsidiaries) enters into a binding joint venture arrangement with one or more third parties in relation to the Kimsa Orcco Project, or</p> <p>(b) an investor (which may include a current Shareholder) acquires 15% of the issued share capital of the Company (15% Acquisition). For the purpose of this Vesting Condition any Shares held as at the date of the Meeting shall not count toward the calculation of the 15% Acquisition.</p>
Tranche 2	5,100,000	<p>The date (Tranche 2 Vesting Date), which must be prior to 31 December 2016, on which the market capitalisation of the Company is equal to or greater than \$30 million for a period of at least 10 consecutive trading days.</p>

If a holder ceases to:

- (a) be a full-time or permanent part-time employee of the Company;
- (b) be a director or company secretary of the Company; or
- (c) otherwise hold a position in the Company that is approved by the Board,

(Eligible Person) in circumstances where the cessation or termination is specifically referenced to the holder having been found to have acted fraudulently or dishonestly in the performance of his or her duties, then:

- (a) the Board must deem any Related Party Performance Rights of the holder to have immediately lapsed and forfeited; and
- (b) any Related Party Performance Rights that have vested will continue in existence in accordance with their terms of issue and any Shares issued on vesting will remain the property of the holder.

In the event that a holder ceases to be an Eligible Person in circumstances where the cessation or termination arises because the holder:

- (a) unless the Board determines otherwise, voluntarily resigns his or her position as an Eligible Person (other than to take up employment with a subsidiary of the Company);
- (b) wilfully breaches the terms of the engagement of the holder or any policy of the Company's published policies regulating the behaviour of Eligible Persons;
- (c) is convicted of a criminal offence which in the reasonable opinion of the Company might tend to injure the reputation or the business of the Company; or
- (d) is found guilty of a breach of the Corporations Act and the Board considers that it brings the holder or the Company into disrepute,

then:

- (a) the Board must deem any Related Party Performance Rights of the holder to have immediately lapsed and be forfeited; and
- (b) any Related Party Performance Rights that have vested will continue in existence in accordance with their terms of issue and any Shares issued on vesting will remain the property of the holder.

The Related Party Performance Rights will not lapse and be forfeited where the holder ceases to be an Eligible Person for the following reasons:

- (a) death or total permanent disability (in respect of total permanent disability being that because of a sickness or injury, the holder is unable to work in his or her own or any occupation for which they are suited by training, education, or experience for a period beyond one year);
- (b) retirement (being where the holder ceases being an Eligible Person due to reaching the legal age for retirement);
- (c) redundancy (being where the holder ceases to be an Eligible Person due to the Company no longer requiring the holder's position to be performed by any person); or
- (d) any other reason, other than a reason listed above, that the Board determines is reasonable to permit the holder to retain his Related Party Performance Rights,

and in those circumstances the Related Part Performance Rights will continue to be subject to the relevant Vesting Condition.

The Related Party Performance Rights will automatically vest where:

- (a) a Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and the Shareholders of the Company approve the proposed compromise or arrangement at such meeting;

- (b) a takeover bid:
- (i) is announced;
 - (ii) has become unconditional; and
 - (iii) the person making the takeover bid has a Relevant Interest (as that term is defined in the Corporations Act) in 50% or more of the Shares; or
- (c) any person acquires a Relevant Interest (as that term is defined in the Corporations Act) in 50.1% or more of the Shares by any other means.

A full summary of the terms and conditions attaching to the Related Party Performance Rights is set out in Schedule 2.

The value of the Related Party Performance Rights and the pricing methodology is set out in Schedule 4.

The relevant interests of the Related Parties in securities of the Company are:

Participating Director	Shares	Quoted Options ¹	Unquoted Options ²
Ian Stuart	13,278,800	12,500,000	2,500,000
Matthew Howison	2,875,000	3,750,000	1,250,000
Matthew Edmondson	2,150,000	5,800,000	Nil

Notes:

¹ Options exercisable at \$0.06 each on or before 30 September 2018.

² Options exercisable at \$0.1987 each on or before 30 September 2014.

The remuneration and emoluments from the Company to the Related Parties for the previous financial year and the current financial year are set out below:

Director	Amount		
	Current financial year - cash payments \$	Previous financial year - cash payments \$	Previous financial year - share based payments \$
Mr Ian Stuart	89,000	279,784	300,000
Mr Matthew Howison	Nil	19,075	112,500
Mr Matthew Edmondson	82,319	143,381	135,000

If the Related Party Performance Rights granted to the Related Parties are exercised, a total of 10,200,000 Shares would be issued. This will increase the number of Shares on issue from 456,222,597 to 466,422,597 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of

2.19%, comprising 0.73% by Mr Ian Stuart, 0.73% by Mr Matthew Howison and 0.73% by Mr Matthew Edmondson.

5.4 Shareholder Approval (ASX Listing Rule 10.11)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Performance Rights:

- (a) the related parties are Mr Ian Stuart, Mr Matthew Howison and Mr Matthew Edmondson and they are related parties by virtue of being Directors;
- (b) the maximum number of Related Party Performance Rights to be granted to the Related Parties is:
 - (i) 3,400,000 Related Party Performance Rights to Mr Ian Stuart, comprising:
 - (A) 1,700,000 Related Party Performance Rights in respect of Tranche 1; and
 - (B) 1,700,000 Related Party Performance Rights in respect of Tranche 2;
 - (ii) 3,400,000 Related Party Performance Rights to Mr Matthew Howison, comprising:
 - (A) 1,700,000 Related Party Performance Rights in respect of Tranche 1; and
 - (B) 1,700,000 Related Party Performance Rights in respect of Tranche 2;
 - (iii) 3,400,000 Related Party Performance Rights to Mr Matthew Edmondson, comprising:
 - (A) 1,700,000 Related Party Performance Rights in respect of Tranche 1; and
 - (B) 1,700,000 Related Party Performance Rights in respect of Tranche 2;
- (c) the Related Party Performance Rights will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Performance Rights will be issued on one date;
- (d) the Related Party Performance Rights will be granted for nil cash consideration and no consideration will be payable upon the vesting of the Related Party Performance Rights upon the satisfaction of a Vesting Condition;
- (e) the terms and conditions of the Related Party Performance Rights are set out in Schedule 2. The Shares to be issued upon vesting of the Related Party Performance Rights shall rank pari passu with existing Shares.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Performance Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

6. RESOLUTION 8, 9, AND 10 – ISSUE OF OPTIONS TO RELATED PARTIES – MR IAN STUART, MR MATTHEW HOWISON, AND MR MATTHEW EDMONDSON

6.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 6,000,000 Options (**Related Party Incentive Options**) to Messrs Stuart, Howison and Edmondson (**Related Parties**) on the terms and conditions set out below.

The primary purpose of the grant of the Related Party Incentive Options to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors.

The value of the Related Party Incentive Options and the pricing methodology is set out in Schedule 5.

The relevant interests of the Related Parties in securities of the Company are set out in section 5.3 above.

The remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out section 5.3 above.

If the Related Party Incentive Options granted to the Related Parties are exercised, a total of 6,000,000 Shares would be issued. This will increase the number of Shares on issue from 456,222,597 to 462,222,597 (assuming that no other Options are exercised, no other Shares are issued and no shares other than those contemplated by the Resolutions of this Notice are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 1.30%, comprising 0.43% by Mr Stuart, 0.43% by Mr Howison, 0.43% by Mr Edmondson.

The market price for Shares during the term of the Related Party Incentive Options would normally determine whether or not the Related Party Incentive Options are exercised. If, at any time any of the Related Party Incentive Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Incentive Options, there may be a perceived cost to the Company.

6.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

A summary of Chapter 2E of the Corporations Act is set out in section 4.2 of this Explanatory Statement.

The grant of the Related Party Incentive Options constitutes giving a financial benefit and Mr Ian Stuart, Mr Matthew Howison and Mr Matthew Edmondson are related parties of the Company by virtue of being Directors.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of the Related Party Incentive Options because it is considered reasonable remuneration in the circumstances.

A summary of ASX Listing Rule 10.11 is set out in section 4.3 of this Explanatory Statement.

It is the view of the Company that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Incentive Options to the Related Parties.

6.3 Shareholder Approval (ASX Listing Rule 10.11)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Incentive Options:

- (a) the related parties are Messrs Stuart, Howison and Edmondson and they are related parties by virtue of being Directors;
- (b) the number of Related Party Incentive Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 2,000,000 Related Party Incentive Options to Mr Ian Stuart;
 - (ii) 2,000,000 Related Party Incentive Options to Mr Matthew Howison; and
 - (iii) 2,000,000 Related Party Incentive Options to Mr Edmondson;
- (c) the Related Party Incentive Options have been offered to, and that offer has been accepted by, each of Mr Ian Stuart, Mr Matthew Howison and Mr Mathew Edmondson subject only to Shareholder approval;
- (d) the Related Party Incentive Options will be issued to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Incentive Options will be issued on one date;
- (e) the Related Party Incentive Options will be granted for nil cash consideration, accordingly no funds will be raised; and
- (f) the terms and conditions of the Related Party Incentive Options are set out in Schedule 3.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Incentive Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Incentive Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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

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

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

Chair means the chair of the Meeting.

Company means Laconia Resources Limited (ACN 137 984 297).

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Free Attaching Options has the meaning given to it in section 1 of this Explanatory Statement.

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

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.

Kimsa Orcco Project means a contiguous area comprised of four 100% Company owned tenements (Patacancha 1, Patacancha 2, Patacancha 3 and Patacancha 4) and 11 tenements over which the Company holds an option to acquire an 80% indirect ownership interest (Huaco Cucho No. 1, Huaco Cucho No. 2, Huaco Cucho Tres, Huaco

Cucho Cuatro, Huaco Cucho Cinco, Huaco Cucho Seis, Huaco Cucho Siete, Huaco Cucho Ocho, Huaco Cucho Nueve, Huaco Cucho Diez and Huaco Cucho Once).

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Placement has the meaning given to it in section 1 of this Explanatory Statement.

Placement Options has the meaning given to it in section 1 of this Explanatory Statement.

Placement Shares has the meaning given to it in section 1 of this Explanatory Statement.

Proxy Form means the proxy form accompanying the Notice.

Related Party Incentive Options has the meaning given to it in section 6.1 of this Explanatory Statement.

Related Party Performance Rights has the meaning given to it in section 5.1 of this Explanatory Statement.

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

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

Shareholder means a holder of a Share.

Tranche 1 Placement has the meaning given to it in section 1 of this Explanatory Statement.

Tranche 1 Placement Shares has the meaning given to it in section 1 of this Explanatory Statement.

Tranche 2 Placement has the meaning given to it in section 1 of this Explanatory Statement.

Tranche 2 Placement Securities has the meaning given to it in section 1 of this Explanatory Statement.

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

SCHEDULE 1 - TERMS AND CONDITIONS OF PLACEMENT OPTIONS AND FREE ATTACHING OPTIONS

Definitions

In these terms and conditions, the following definitions apply:

ASX means ASX Limited.

ASX Listing Rules means the listing rules of ASX.

Company means Laconia Resources Limited (ACN 137 984 297);

Option means an option to acquire a share on these terms and conditions.

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

Terms and Conditions

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) **Right to subscribe for Share:** Each Option is a right to subscribe for one Share.
- (b) **Exercise Price:** The exercise price of the Options is 6 cents per Option.
- (c) **Expiry Date:** The Options will lapse on 30 September 2018.
- (d) **Options transferrable:** The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.
- (e) **Exercise:** The Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the exercise price per Option to the Company at any time on or after the date on which the Options vest and on or before the Expiry Date. Reminder notices will be forwarded to each option holder prior to the Expiry Date. Options not exercised by the Expiry Date will lapse.
- (f) **Ranking of Shares issued:** Upon the valid exercise of the Options and payment of the exercise price, the Company will issue Shares ranking pari passu with the then issued Shares of the Company.
- (g) **Options listed:** The Company shall apply for listing on the ASX of the Options.
- (h) **Listing of Shares issued:** The Company shall apply for listing on the ASX of the resultant Shares issued upon exercise of any of the Options.
- (i) **Reconstruction of Capital:** If during the currency of the Options the issued capital of the Company is reconstructed (including capital reductions and share consolidations and divisions), the number or nominal value of the Options to which the holder is entitled will be reconstructed in the same proportion as the issued capital of the Company is reconstructed in accordance with the ASX Listing Rules but in all respects the term for the exercise of the Options shall

remain unchanged. Where appropriate the exercise price of the Options will be revised in accordance with the ASX Listing Rules.

- (j) **Bonus Issue:** If there is a bonus issue to the holders of the ordinary Shares of the Company, the number of ordinary Shares over which the Option is exercisable will be increased by the number of ordinary Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- (k) **Rights Issue:** If the Company makes a pro rata issue the exercise price of the Options on issue will not be adjusted.
- (l) **Participating Rights and Entitlements:** The Options carry no right (without exercising the Options) to participate in new issues which may be offered by the Company to its Shareholders after the date of the issue of the Options or in dividends. However, the Company must give prior notice to the Option holders of any new issue before the record date for determining entitlements to the issue in accordance with ASX Listing Rules and Option holders have the right to exercise the Options prior to the record date for determining entitlements.
- (m) **Amendments:** Despite anything else contained in these terms to the contrary, the terms and conditions may be changed by the Company to the extent it reasonably considers to be necessary to comply with the ASX Listing Rules, particularly as they may apply to a reconstruction or reorganisation of the capital of the Company at the time of reorganisation or reconstruction.

SCHEDULE 2 – TERMS AND CONDITIONS OF RELATED PARTY PERFORMANCE RIGHTS

A summary of the terms and conditions of the Related Party Performance Rights is set out below:

- (a) **(Vesting Date):** The Related Party Performance Rights for each holder shall vest as follows:

Tranche	Number of Performance Rights Vesting (%)	Vesting Condition
Tranche 1	5,100,000	<p>The date (Tranche 1 Vesting Date), which must be prior to 31 December 2015, on which:</p> <p>a) the Company (or one of its subsidiaries) enters into a binding joint venture arrangement with one or more third parties in relation to the Kimsa Orcco Project, or</p> <p>b) an investor (which may include a current Shareholder) acquires 15% of the issued share capital of the Company (15% Acquisition). For the purpose of this Vesting Condition any Shares held as at the date of the Meeting shall not count toward the calculation of the 15% Acquisition.</p>
Tranche 2	5,100,000	<p>The date (Tranche 2 Vesting Date), which must be prior to 31 December 2016, on which the market capitalisation of the Company is equal to or greater than \$30 million for a period of at least 10 consecutive trading days.</p>

- (b) **(Vesting):** At each Vesting Date, the Company shall notify the holder in writing that the relevant Related Party Performance Rights have vested (**Vested Performance Rights**).
- (c) **(Consideration):** The Related Party Performance Rights will be issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights on the Vesting Dates.

- (d) **(Automatic Vesting):** On the Vesting Date, each Related Party Performance Right will automatically vest into one Share.
- (e) **(Lapse of a Related Party Performance Right):** A Related Party Performance Right will lapse upon the earlier to occur of:
- (i) the last date by which the relevant Vesting Condition can be satisfied;
 - (ii) the Related Party Performance Right lapsing in accordance with rule (f); or
 - (iii) the Related Party Performance Right lapsing in accordance with a provision of rule (g).
- (f) **(Fraudulent or dishonest action):** If a holder ceases to be:
- (i) a full-time or permanent part-time employee of the Company;
 - (ii) a director or company secretary of the Company; or
 - (iii) otherwise hold a position in the Company that is approved by the Board,
- (Eligible Person)** in circumstances where the cessation or termination is specifically referenced to the holder having been found to have acted fraudulently or dishonestly in the performance of his or her duties, then:
- (i) the Board must deem any Related Party Performance Rights of the holder to have immediately lapsed and be forfeited; and
 - (ii) any Related Party Performance Rights that have vested will continue in existence in accordance with their terms of issue and any Shares issued on vesting will remain the property of the holder.
- (g) **(Ceasing to be an Eligible Person):** If a holder ceases to be an Eligible Person in circumstances where the cessation or termination arises because the holder:
- (i) unless the Board determines otherwise in accordance with rule (h)(iv), voluntarily resigns his or her position as an Eligible Person (other than to take up employment with a subsidiary of the Company);
 - (ii) wilful breaches the terms of the engagement of the holder or any policy of the Company's published policies regulating the behaviour of Eligible Persons;
 - (iii) is convicted of a criminal offence which, in the reasonable opinion of the Company, might tend to injure the reputation or the business of the Company; or
 - (iv) is found guilty of a breach of the Corporations Act and the Board considers that it brings the holder or the Company into disrepute,
- then:
- (i) the Board must deem any Related Party Performance Rights of the holder to have immediately lapsed and be forfeited; and

- (ii) any Related Party Performance Rights that have vested will continue in existence in accordance with their terms of issue and any Shares issued on vesting will remain the property of the holder.
- (h) **(Other circumstances where)**: The Related Party Performance Rights will not lapse and be forfeited where the holder ceases to be an Eligible Person for one of the following reasons:
 - (i) death or total permanent disability (in respect of total permanent disability being that because of a sickness or injury, the holder is unable to work in his or her own or any occupation for which they are suited by training, education, or experience for a period beyond one year);
 - (ii) retirement (being where the holder ceases being an Eligible Person due to reaching the legal age for retirement);
 - (iii) redundancy (being where the holder ceases to be an Eligible Person due to the Company no longer requiring the holder's position to be performed by any person); or
 - (iv) any other reason, other than a reason listed in rules (f) and (g) (other than (g)(i)), that the Board determines is reasonable to permit the holder to retain his Related Party Performance Rights,

and in those circumstances the Related Part Performance Rights will continue to be subject to the relevant Vesting Condition.

- (i) **(Takeover, Scheme of Arrangement or Change of Control)**: the Related Party Performance Rights will automatically vest where:
 - (i) a Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and the Shareholders of the Company approve the proposed compromise or arrangement at such meeting;
 - (ii) a takeover bid:
 - (A) is announced;
 - (B) has become unconditional; and
 - (C) the person making the takeover bid has a Relevant Interest (as that term is defined in the Corporations Act) in 50% or more of the Shares; or
 - (iii) any person acquires a Relevant Interest (as that term is defined in the Corporations Act) in 50.1% or more of the Shares by any other means.
- (j) **(Share ranking)**: All Shares issued upon the vesting of Related Party Performance Rights will upon issue rank pari passu in all respects with other Shares.
- (k) **(Listing of Shares on ASX)**: The Company will not apply for quotation of the Related Party 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.

- (l) **(Transfer of Related Party Performance Rights):** A Related Party Performance Right is only transferable:
- (i) with the consent of the Board; or
 - (ii) by force of law upon death to the Related Party's legal personal representative or upon bankruptcy to the Related Party's trustee in bankruptcy.
- (m) **(Pro rata issue of securities):** Subject to the Corporations Act and the ASX Listing Rules, if, during the term of any Related Party Performance Right, the Company makes a pro rata issue of securities to the Company's Shareholders by way of a rights issue, the holder shall be entitled to participate in the rights issue on the same terms as the Company's Shareholders as if the Related Party Performance Rights were vested prior to the record date for determining entitlement under the rights issue.
- A holder will not be entitled to any adjustment to the number of Shares issued on the vesting of the Related Party Performance Right to which the holder is entitled, as a result of the Company undertaking a rights issue.
- (n) **(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 or by way of dividend reinvestment), the number of Related Party 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 Related Party 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 ASX Listing Rules at the time of the bonus issue.
- (o) **(Adjustment for reconstruction):** In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Related Party Performance Rights to which each Related Party is entitled, will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the holder as a result of such corporate actions and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (p) **(Dividend and Voting Rights):** the Related Parties are not entitled to vote nor to receive dividends as a result of their holding Related Party Performance Rights.

SCHEDULE 3 – TERMS AND CONDITIONS OF RELATED PARTY INCENTIVE OPTIONS

Definitions

In these terms and conditions, the following definitions apply:

ASX means ASX Limited.

ASX Listing Rules means the listing rules of ASX.

Company means Laconia Resources Limited (ACN 137 984 297);

Option means an option to acquire a share on these terms and conditions.

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

Vesting Condition means the date upon which the Company makes an announcement to ASX of a Porphyry Copper encounter characterised by drill intersection(s) of at least 100 metres down hole length, at a weighted grade equal to or greater than 0.4 % Cu (or equivalence to 0.4 % Cu in copper plus or minus gold, plus or minus molybdenum), with at least 2 alteration minerals indicative of a porphyry environment. Metal equivalence for this criteria has no economic connotation as the extractive properties of the material will not be known, and it is uncertain if further work will result in the definition of an economic metal occurrence. The commodity prices for metal equivalence calculations are to be taken from the spot prices on the London Metal Exchange (LME) at the time of calculation. *(Note: Alteration minerals include phyllic or potassic alteration assemblages, proximal to the Porphyry Copper stock and expected area of mineralisation, as defined by mineralogy described in the Exploration Models for Porphyry Copper exploration.)*

Terms and Conditions

Subject to satisfaction of the Vesting Condition, the Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) **Right to subscribe for Share:** Each Option is a right to subscribe for one Share.
- (b) **Exercise Price:** The exercise price of the Options is 1.7 times the volume weighted average closing price of a Share on the five trading days before the date of approval of the issue of the Options at a general meeting of shareholders of the Company.
- (c) **Expiry Date:** The Options will lapse on 30 September 2018.
- (d) **Options transferrable:** The Options will be transferable in whole or in part with the prior approval of the Board of the Company, subject to the provisions of the Constitution of the Company, Corporations Act and the ASX Listing Rules.
- (e) **Exercise:** The Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the exercise price per Option to the Company at any time on or after the date on which the Vesting Condition is satisfied and on or before the Expiry Date. Reminder notices will be forwarded to each option holder prior to the Expiry Date. Options not exercised by the Expiry Date will lapse.
- (f) **Ranking of Shares issued:** Upon the valid exercise of the Options and payment of the exercise price, the Company will issue Shares ranking pari passu with the then issued Shares of the Company.

- (g) **Options unlisted:** The Company does not intend to apply for listing of the Options on the ASX.
- (h) **Listing of Shares issued:** The Company shall apply for listing on the ASX of the resultant Shares issued upon exercise of any of the Options.
- (i) **Reconstruction of Capital:** If during the currency of the Options the issued capital of the Company is reconstructed (including capital reductions and share consolidations and divisions), the number or nominal value of the Options to which the holder is entitled will be reconstructed in the same proportion as the issued capital of the Company is reconstructed in accordance with the ASX Listing Rules but in all respects the term for the exercise of the Options shall remain unchanged. Where appropriate the exercise price of the Options will be revised in accordance with the ASX Listing Rules.
- (j) **Bonus Issue:** If there is a bonus issue to the holders of the ordinary Shares of the Company, the number of ordinary Shares over which the Option is exercisable will be increased by the number of ordinary Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- (k) **Rights Issue:** If the Company makes a pro rata issue the exercise price of the Options on issue will not be adjusted.
- (l) **Participating Rights and Entitlements:** The Options carry no right (without exercising the Options) to participate in new issues which may be offered by the Company to its Shareholders after the date of the issue of the Options or in dividends. However, the Company must give prior notice to the Option holders of any new issue before the record date for determining entitlements to the issue in accordance with ASX Listing Rules and, subject to the Vesting Condition having been satisfied, Option holders have the right to exercise the Options prior to the record date for determining entitlements.
- (m) **Amendments:** Despite anything else contained in these terms to the contrary, the terms and conditions may be changed by the Company to the extent it reasonably considers to be necessary to comply with the ASX Listing Rules, particularly as they may apply to a reconstruction or reorganisation of the capital of the Company at the time of reorganisation or reconstruction.

SCHEDULE 4 – INDEPENDENT VALUATION OF RELATED PARTY PERFORMANCE RIGHTS

The Related Party Performance Rights to be issued to the Related Parties pursuant to Resolutions 5 to 7 have been valued independently to the Company.

Using the trinomial option pricing model and based on the assumptions set out below, the Related Party Performance Rights were ascribed the following value range:

Assumptions		
Valuation date	16 April 2014	
Market Price of Shares	0.8 cents	
Exercise Price	Nil	
Expiry date (length of time to expiry):	Tranche 1 31 Dec 2015 (526 days)	Tranche 2 31 Dec 2016 (989 days)
Risk free interest rate	2.5%	
Volatility	100%	
Indicative value per Performance right – Tranche 1	0.8 Cents	
Indicative value per Performance right – Tranche 2	0.8 Cents	
Total value of Performance rights	Tranche 1 \$40,800	Tranche 2 \$40,800
Ian Stuart	\$13,600	\$13,600
Matthew Howison	\$13,600	\$13,600
Matthew Edmondson	\$13,600	\$13,600

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

SCHEDULE 5 – INDEPENDENT VALUATION OF RELATED PARTY INCENTIVE OPTIONS

The options to be issued to Mr Ian Stuart, Mr Matthew Howison and Mr Matthew Edmondson pursuant to resolutions 8, 9 and 10 have been valued independently to the Company.

Using the trinomial option pricing model and based on the assumptions set out below, the options were ascribed the following value:

Assumptions	
Valuation date	16 April 2014
Conversion price	1.7 times the 5 day average volume multiplied by closing price
Expiry date (length of time to expiry):	30 September 2018 (1,628 days)
Risk free interest rate	2.5%
Volatility	100%
Indicative value per option	0.52 Cents
Total value per options	\$31,200
Ian Stuart	\$10,400
Matthew Howison	\$10,400
Matthew Edmondson	\$10,400

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