

---

**Mungana Goldmines Ltd**  
***(proposed new name - Atherton Resources Limited)***

A C N 1 3 6 6 0 6 3 3 8

---

**NOTICE OF GENERAL MEETING**

**The General Meeting of the Company will be held at the Celtic Club, 48 Ord Street, West Perth on Friday, 31 July 2015 commencing at 11.00 am (WST).**

---

*This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their 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 0420 389 740***

**Shareholders are urged to attend or vote by lodging the Proxy Form enclosed with the Notice.**

## CHAIRMAN'S LETTER

---

Dear Shareholder

Since the acquisition of the Chillagoe assets from Kagara Ltd (in liquidation) in 2014, your company has been focused on delivering the North Queensland zinc strategy announced in July 2014, which is centred on the high-grade King Vol zinc project. This strategy has included the appointment of a new management team, led by the highly qualified Mr Anthony James, in February 2015.

Since his appointment, Mr James has quickly established a robust work plan and timeline for completing a bankable feasibility study in respect of the King Vol zinc project by the end of March 2016, with the aim of bringing that project into production by the end of 2016. In addition to this, your company has also:

- Entered into a very exciting exploration joint venture agreement with a wholly-owned subsidiary of Newcrest Limited, one of the leading global gold companies, intended to unlock the Porphyry Gold Copper potential at Chillagoe. Drilling in respect of this joint venture is currently expected to begin in August 2015.
- Commenced the next drilling campaign at King Vol for the purpose of expanding and upgrading the current Mineral Resources.
- Established relationships with important technical service providers who will support the Board and management through the feasibility study works.
- Announced a conditional placement to raise approximately \$5 million to fund your company through to completion of the King Vol feasibility study. I have personally agreed to subscribe for shares as part of the placement, as have my fellow Directors, Mr James and Mr Yeates.

Your company has also received an opportunistic and highly conditional takeover offer from Auctus Chillagoe Pty (**Auctus**). Auctus is funded by Denham Funds, which is advised by Denham Capital, an energy and resources focussed global private equity investment firm. Auctus is clearly attracted to the value potential in our assets and your Directors believe that the offer price of 13.5 cents per shares undervalues the company. Your Directors have unanimously recommended that you **REJECT** Auctus' offer and **TAKE NO ACTION** in respect of their correspondence. The Board's reasons for that recommendation are set out in detail in the Target's Statement.

Accompanying this letter is a Notice of Meeting in respect of a general meeting to be held at 11.00 am (WST) on Friday, 31 July 2015 at the Celtic Club, 48 Ord Street, West Perth. The Notice of Meeting sets out a number of important resolutions that are part of the critical framework to finalise the firm foundations for your company to deliver on the above strategies. The resolutions include:

- **Resolutions 1 – 4:** Resolutions to approve a placement to raise approximately \$5 million, and the participation of certain Directors in that placement.
- **Resolution 5:** Resolution to approve the change of the company's name to "Atherton Resources Limited".
- **Resolutions 6 – 8:** Resolutions to approve the company's performance rights plan and issues of performance rights to certain Directors and other employees.

### Important note:

In considering these resolutions, you should be aware that, if approved:

- Auctus may take the view that a condition of its offer has been breached and decide to allow the offer to lapse;

- Auctus may be deterred from increasing its offer price or reduce the extent of any increase in its offer price; and
- A competing bidder may be deterred from making a takeover offer for the company or may offer less than it might otherwise have offered.

Accordingly, if you wish to accept Auctus' offer or avoid any of the other potential consequences referred to above, you should consider voting against the resolutions.

In addition, you should also consider voting against the resolution seeking to approve the company's performance rights plan, if you are of the view that the accelerated vesting provisions in that plan should not apply to any increased offer by Auctus or a competing offer received in the near term.

Notwithstanding the notes above, your Directors believe that all of the resolutions are in the best interests of shareholders and, if passed, will provide a framework stability and growth for your company at this important time.

Each of Kagara Ltd (in liquidation) and Mungana Pty Ltd (in liquidation), together holding approximately 72% of the total issued voting shares in the company, have confirmed that, having regard to the circumstances, the information provided to them by the company and the recommendations of the Board at the time, that their present intention would be to vote any shares held by them at the time of the General Meeting in favour of each of the resolutions set out in the Notice of Meeting. Kagara Ltd (in liquidation) and Mungana Pty Ltd (in liquidation) reserve the right to revisit their intentions in circumstances where a competing proposal that is superior to the offer of 13.5 cents per share, and reasonably capable of being implemented, is announced.

Further details in relation to these and other resolutions are set out in the Notice of Meeting. I encourage you to read the Notice of Meeting carefully before deciding how to vote on all of the resolutions. **The proposed resolutions are very important and require your careful attention given their importance and potential outcome on the future direction of the company.**

Your Board and management look forward to continuing to progress the development of the King Vol zinc project and deliver value for all shareholders.

If you have any questions about the Notice of Meeting, please contact Mungana's Company Secretary on 0420 389 740.

Yours sincerely



**John Fitzgerald**  
Chairman

---

# MUNGANA GOLDMINES LTD

A C N 1 3 6 6 0 6 3 3 8

---

## NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Mungana Goldmines Ltd (**Company**) will be held at the Celtic Club, 48 Ord Street, West Perth on Friday, 31 July 2015 commencing at 11.00 am (WST).

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

The Directors have determined for the purpose of voting at the General Meeting that the persons eligible to vote at the Meeting are those who are registered as Shareholders at 5.00pm (WST) on Wednesday, 29 July 2015.

**Shareholders should note that certain of the Resolutions in this Notice may have an impact on the Auctus Offer and any competing takeover offer.** Accordingly, Shareholders should read this Notice and the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

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

## AGENDA

---

### 1. Resolution 1 – Approval of Placement

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 ASX Listing Rules 7.1 and 7.9 and for all other purposes, Shareholders approve the issue of up to 36,136,000 Shares at an issue price of \$0.14 to institutional and professional and sophisticated investors on the terms and conditions in the Explanatory Memorandum.”*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution 1 by, or behalf of, a person who may participate in the Placement and a person who might obtain a benefit if this Resolution 1 is passed, except a benefit solely in their capacity of a holder of Shares, and any associate of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman 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 – Approval to issue Shares in the Placement to Mr John Fitzgerald

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

*“That, subject to and conditional on the passing of Resolution 1, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the issue of up to 714,285 fully paid ordinary shares in the capital of the Company to Mr John Fitzgerald (or his nominee) for an issue price of \$0.14 per share, on the terms and conditions set out in the Explanatory Memorandum, be approved.”*

**Note:** A voting exclusion statement for Resolution 2 is set out after Resolution 4 below.

---

## 3. Resolution 3 – Approval to issue Shares in the Placement to Mr Anthony James

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

*“That, subject to and conditional on the passing of Resolution 1, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the issue of up to 714,285 fully paid ordinary shares in the capital of the Company to Mr Anthony James (or his nominee) for an issue price of \$0.14 per share, on the terms and conditions set out in the Explanatory Memorandum, be approved.”*

**Note:** A voting exclusion statement for Resolution 3 is set out after Resolution 4 below.

---

## 4. Resolution 4 – Approval to issue Shares in the Placement to Mr Richard Yeates

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

*“That, subject to and conditional on the passing of Resolution 1, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the issue of up to 178,571 fully paid ordinary shares in the capital of the Company to Mr Richard Yeates (or his nominee) for an issue price of \$0.14 per share, on the terms and conditions set out in the Explanatory Memorandum, be approved.”*

### **Voting Exclusion**

The Company will disregard any votes cast on each of Resolutions 2, 3 and 4 by, or on behalf of, the relevant Director who is to receive Shares if the relevant Resolution is passed, and any of that Director's associates.

The Company will not disregard a vote on Resolutions 2, 3 and 4 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman 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 – Change of Company name**

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 section 157(1) of the Corporations Act and for all other purposes, Shareholders adopt "Atherton Resources Limited" as the new name of the Company on the terms and conditions in the Explanatory Memorandum."*

---

## **6. Resolution 6 – Approval of the Company's 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 ASX Listing Rule 7.2, exception 9, ASX Listing Rules 7.9 and 10.19, sections 195, 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the Performance Rights Plan, the grant of Performance Rights under that plan and the issue of the underlying Shares upon the vesting of such Performance Rights, on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusions**

The Company will disregard any votes cast on this Resolution:

- (a) by, or on behalf of, any Director, any other person who holds a Managerial or Executive Office or who will following the conclusion of the current financial year hold a Managerial or Executive Office (except those who are ineligible to participate in the Performance Rights Plan), and any associate of such a person; and
- (b) by a member of the Key Management Personnel or a Closely Related Party of such member acting as proxy,

unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

---

## **7. Resolution 7 – Approval of the Grant of Performance Rights to Mr Anthony James**

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

*"That, subject to and conditional on the passing of Resolution 6, for the purposes of ASX Listing Rule 7.9, ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the issue of 7,200,000 Performance Rights to Mr Anthony James (or his nominee) (and the acquisition of Shares by Mr James upon the vesting of such Performance Rights) under the Performance Rights Plan, on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusions**

The Company will disregard any votes cast on this Resolution:

- (a) by, or on behalf of, any Director and any associate of such a person; and

- (b) by a member of the Key Management Personnel or a Closely Related Party of such member acting as proxy,

unless the vote is cast by:

- (c) the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (d) the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides and exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

---

## **8. Resolution 8 – Approval of the Grant of Performance Rights to Mr John Fitzgerald**

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

*"That, subject to and conditional on the passing of Resolution 6, for the purposes of ASX Listing Rule 7.9, ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the issue of 1,500,000 Performance Rights to Mr John Fitzgerald (or his nominee) (and the acquisition of Shares by Mr Fitzgerald upon the vesting of such Performance Rights) under the Performance Rights Plan, on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusions**

The Company will disregard any votes cast on this Resolution:

- (a) by, or on behalf of, any Director and any associate of such a person; and
- (b) by a member of the Key Management Personnel or a Closely Related Party of such member acting as proxy,

unless the vote is cast by:

- (c) the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (d) the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides and exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

---

## **9. Resolution 9 – Entry into Deeds of Indemnity, Insurance and Access with Directors**

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

*"That, for the purposes of section 195 and Chapter 2D.2 and Chapter 2E of the Corporations Act and for all other purposes, the Company be authorised to enter into a Deed of Indemnity, Insurance and Access with each Director of the Company, in the same form as the Deed tabled at the meeting, for the purposes of identification, and signed by the Chairman at the Meeting and on the terms summarised in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution:

- (a) by, or on behalf of, any Director and any associate of such a person; and
- (b) by a member of the Key Management Personnel or a Closely Related Party of such member acting as proxy,

unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

---

## **10. Resolution 10 – 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, for the purposes of sections 200B and 200E of the Corporations Act, ASX Listing Rule 10.19 and for all other purposes, approval be given for the Company to provide the 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 set out in the Explanatory Memorandum.”*

### **Voting Exclusions**

The Company will disregard any votes cast on this Resolution:

- (a) by, or on behalf of, Mr James or any of his associates; and
- (b) by a member of the Key Management Personnel or a Closely Related Party of such member acting as proxy,

unless the vote is cast by:

- (c) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (d) the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides and exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

### **Important note:**

In considering these Resolutions 1 to 4 and 6 to 8, you should be aware that, if approved:

- Auctus may take the view that a condition of its offer has been breached and decide to allow the offer to lapse;
- Auctus may be deterred from increasing its offer price; and
- A competing bidder may be deterred from making a takeover offer for the Company.

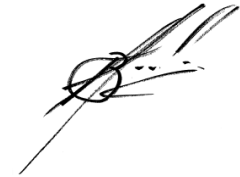
Furthermore, if those Resolutions are passed and Auctus does decide to increase its offer price or a competing offer is made, it is possible that the amount offered to Shareholders will be lower than it might otherwise have been.



Accordingly, if you wish to accept Auctus' offer or avoid any of the other potential consequences referred to above, you should consider voting against the resolutions.

You should also consider voting against Resolution 6, if you are of the view that the accelerated vesting provisions in that plan should not apply to any increased offer by Auctus or a competing offer received in the near term.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to be 'B. Ludik', written over a horizontal line.

Mr Ben-Louis Ludik  
**Company Secretary**

Dated: 1 July 2015

---

# MUNGANA GOLDMINES LTD

A C N 1 3 6 6 0 6 3 3 8

---

## EXPLANATORY MEMORANDUM

---

### 1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be held at the Celtic Club, 48 Ord Street, West Perth on Friday, 31 July 2015 commencing at 11.00 am (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains important information in respect of each Resolution.

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

Paragraph 2:	Action to be taken by Shareholders
Paragraph 3:	Resolution 1 – Approval of Placement
Paragraph 4:	Resolutions 2, 3 and 4 – Approval of Issue of Placement Shares to Mr Anthony James, Mr John Fitzgerald and Mr Richard Yeates
Paragraph 5:	Resolution 5 – Change of Company Name
Paragraph 6:	Resolution 6 – Approval of Performance Rights Plan
Paragraph 7:	Resolutions 7 and 8 – Approval of the Grant of Performance Rights to Mr Anthony James and Mr John Fitzgerald
Paragraph 8:	Resolution 9 – Entry into Deeds of Insurance, Indemnity and Access with Directors
Paragraph 9:	Resolution 10 – Approval of Termination Benefit Provisions for Mr James

A Proxy Form is enclosed with this Notice.

---

### 2. Action to be taken by Shareholders

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

#### 2.1 Voting in person

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

## 2.2 Voting by Proxy

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 on their behalf. 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 in accordance with the instructions set out in the Proxy Form. Returning the Proxy Form in accordance with the instructions set out in the Proxy Form will not preclude a Shareholder from attending or (subject to the voting exclusions set out in the Notice) voting at the Meeting in person.

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder 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. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 11:00 am (WST) on Wednesday, 29 July 2015, being at least 48 hours before the Meeting.

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

## 2.3 Voting by attorney

If a Shareholder has appointed an attorney to attend and vote at the General Meeting, or if the proxy is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be sent to the Company and received by no later than 11:00 am (WST) on Wednesday, 29 July 2015, being at least 48 hours before the Meeting (unless this document has previously been lodged with the Company's share registry for notation).

## 2.4 Voting by corporate representative

A Shareholder that is a body corporate, or which has been appointed a proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements in section 250D of the Corporations Act. The representative should bring to the General Meeting, evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

---

# 3. Resolution 1 – Approval of Placement

## 3.1 Introduction

Resolution 1 seeks approval from Shareholders for the issue of up to 36,136,000 Placement Shares at an issue price of \$0.14, for the purposes of ASX Listing Rules 7.1 and 7.9.

The basis for seeking approval for the purposes of ASX Listing Rule 7.1 is as follows:

- (a) **15% Threshold:** ASX Listing Rule 7.1 provides that a company must not, in any 12 month period, issue a number of Equity Securities which is more than 15% of the number of fully paid ordinary shares on issue 12 months before the issue without shareholder approval (**15% Threshold**).

- (b) **Placement Shares:** If all of the Placement Shares are issued (ie all of the Shares the subject of Resolution 1), that issue will not exceed the 15% Threshold. However, the Company is seeking approval for the purposes of ASX Listing Rule 7.1 in respect of Resolution 1 so that the issue of the Placement Shares will not be counted towards the 15% Threshold under ASX Listing Rule 7.1.

ASX Listing Rule 7.9 prohibits a company from issuing (or agreeing to issue) Equity Securities within three months after it is told in writing that a person is making, or proposing to make a takeover offer, unless a specified exception applies. The Auctus Offer was announced on 29 April 2015 and, as a result, ASX Listing Rule 7.9 continues to apply to the Company until 29 July 2015. An issue of securities will not be prohibited if that issue is approved by shareholders. As the General Meeting is only scheduled to be held on 31 July 2015, approval for the purposes of ASX Listing Rule 7.9 may not technically be required. However, as ASX Listing Rule 7.9 will apply to the Company when this Notice is dispatched to Shareholders, the Company considers it appropriate to also seek approval for the purposes of ASX Listing Rule 7.9.

Further information in relation to the Auctus Offer and the Placement, together with some relevant considerations in deciding whether or not to approve the Placement, are set out in the paragraphs below.

### 3.2 Background – the Auctus Offer

On 29 April 2015, Auctus announced a conditional, unsolicited offer to acquire all of the Shares for \$0.135 per share. Auctus' Bidder's Statement in respect of the offer was then dispatched to Shareholders on 13 May 2015.

The Auctus Offer is subject to a large number of Conditions, which are set out in full in section 8.9 of the Bidder's Statement. The Conditions significantly restrict the Company's ability to conduct its business in the ordinary course and, therefore, undertake corporate activities, such as securing funding by way of equity or debt. For example, some of the Conditions (in summary form) include:

- (a) **(no issue of Shares or grant of option over Shares)** the Company not issuing Shares or granting an option over any of its Shares or agreeing to make a Share issue or grant such an option;
- (b) **(no grant of Security Interest)** the Company not granting or agreeing to grant a Security Interest over the whole, or a substantial part, of its business or property;
- (c) **(no grant of interest of tenements)** the Company not granting a right or interest of any kind over all or part of any area covered by the Principal Tenements; and
- (d) **(no new commitments)** the Company not committing to expenditure of an amount in excess of \$1,000,000 other than in the ordinary course of business.

The Conditions summarised above apply from the Announcement Date until the end of the Offer Period.

The Company responded to Auctus' Offer in its ASX announcement of 11 May 2015. The Company's formal response to the Auctus Offer was then set out in its Target's Statement which was dispatched to Shareholders on 29 May 2015. As set out in both the announcement and the Target's Statement, the Directors:

- (a) unanimously recommend that Shareholders **REJECT** the Auctus Offer; and
- (b) advise Shareholders to **TAKE NO ACTION** in respect of the Auctus Offer.

The Board's reasons for that recommendation, which are set out in detail in the Target's Statement, are as follows:

- (a) the Auctus Offer does not attribute sufficient value to the Company's existing portfolio of assets;
- (b) The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, concluded in the Independent Expert's Report that the Auctus Offer is not fair and not reasonable;
- (c) the Auctus Offer is highly conditional and uncertain; and
- (d) accepting the Auctus Offer may deprive you of the value of any subsequent better offer from Auctus, a competing bidder or on market.

Your Directors strongly encourage Shareholders to read this Explanatory Memorandum, the Target's Statement and the Company's supplementary target's statements before deciding whether or not to vote in favour of Resolution 1 and approve the Placement.

### **3.3 Background – the Placement**

Prior to the Announcement Date, the Company was in the process of formulating a strategy to bring the King Vol Zinc Project into production and deliver value to Shareholders. The development of the King Vol Zinc Project and the exploration associated with the Chillagoe Project is the key focus of the Company's new management team, which was put in place in February 2015 and is led by experienced mining executive, Mr Anthony James.

The Company's cash balance, as at 31 March 2015, was approximately \$2,371,000 and the cash balance as at the date of this Notice of Meeting is not materially different. Accordingly, the Company will require significant funding to implement this strategy and bring the King Vol Zinc Project into production and carry out ongoing exploration at the Chillagoe Project.

The Board has proposed the Placement as it believes that successful implementation of its strategy to bring the King Vol Zinc Project into production will ultimately provide more value to Shareholders than accepting Auctus' offer of \$0.135 per Share.

The Board also believes that the Placement is the most efficient method of raising funds in the circumstances in order to pursue that strategy.

If Resolution 1 is approved, the funds from the Placement will be used:

- (a) to complete a feasibility study in respect of the King Vol Zinc Project;
- (b) to progress work necessary to secure the required permits, licences, leases and approvals to bring the King Vol Zinc Project into production;
- (c) to complete a drilling program in respect of the King Vol Zinc Project and other high priority targets; and
- (d) for general working capital and corporate purposes.

Accordingly, if the Placement does not proceed, the implementation of the Company's strategy and work plan will be hindered and this could have an adverse effect on the Company's performance and prospects.

Further funding will be required to bring the King Vol Zinc Project into production. However, the Company believes that the funds raised from the Placement will enable it to make significant progress and better-position the Company to secure further funding in the future.

### **3.4 Other relevant considerations**

*Effect of the Placement on the Auctus Offer*

In light of the Auctus Offer, before deciding whether or not to approve the Placement, Shareholders should also consider the effect of the Placement on the Auctus Offer.

The Company believes that, if Shareholders approve the Placement, it would be open to Auctus to take the view that Condition (cc)(iv) of the Auctus Offer has been breached. This Condition is summarised in paragraph 3.2 above and broadly provides that the Company must not issue or agree to issue Shares during the Offer Period.

Accordingly, Shareholders should take into account the fact that, if the Placement is approved, Auctus may determine to allow the Auctus Offer to lapse or to seek approval from ASIC to withdraw the Auctus Offer (as a result of a breach of Condition (cc)(iv)).

In this circumstance, Shareholders will not be able to accept the Auctus Offer in respect of their Shares and any acceptances received will be void and of no effect.

It is, of course, open to Auctus to waive a Condition that has been breached. If Auctus elects to continue with the Auctus Offer (irrespective of any breach of a Condition as a result of the issue of the Placement Shares), the proposed placees will not have the ability to accept the Auctus Offer in respect of their Placement Shares unless ASIC grants relief to Auctus to allow it to extend its offer to the Placement Shares and Auctus then does extend its offer to those Placement Shares.

Shareholders should have regard to the fact that if the Placement is not approved and the Company continues incurring expenditure at the current rate, the Company's financial position could deteriorate such that a different Condition under the Auctus Offer relating to insolvency-type events is triggered, which would also give Auctus a right not to continue with its offer.

As at the date of this Notice of Meeting, the Company has not received any indication from Auctus as to how it would exercise its discretion in these circumstances.

In light of the above, Shareholders should carefully consider whether to approve the Placement. This is because Shareholders are (if Auctus elects not to continue with its Offer as a result of a breach of the Conditions) effectively being asked to choose between the Placement and the Auctus Offer.

#### *Risk of "unacceptable circumstances"*

As the Placement will breach a Condition of the Auctus Offer, it is possible that, should proceedings be initiated before the Takeovers Panel, the Panel could decide that such a capital raising constitutes a "frustrating action" that amounts to "unacceptable circumstances". However, because the Company is giving Shareholders a choice between the proposals through the mechanism of seeking shareholder approval for the Placement, any frustrating action that occurs as a result of the Placement will not generally give rise to unacceptable circumstances.

The Takeovers Panel is the Australian regulatory body for takeovers. A key power of the Takeovers Panel is to declare transactions that occur following a takeover offer that result in an improper outcome to be "unacceptable".

An action that triggers a bid condition is a frustrating action, but whether the action gives rise to unacceptable circumstances will depend on its effect on shareholders and the market generally. In considering whether a frustrating action gives rise to unacceptable circumstances, the Panel is guided by, amongst other things, any clearly stated objectives of the bidder and whether the triggered condition is commercially critical to the bid. It will also take into consideration whether the frustrating action was undertaken by the target in the ordinary course of its business, whether there is a legal or commercial imperative for the frustrating action and how far advanced the negotiations on the frustrating action were when the bid was made or communicated.

Generally speaking the issue of new shares after receipt of a takeover proposal (if significant in the context of the target's issued capital and made without seeking shareholder approval) would be viewed by the Takeovers Panel as unacceptable. However, it may not give rise to a declaration of "unacceptable circumstances" by the Panel if there is a commercial imperative for that action (ie other than some voluntary action taken by the target directors after they become aware of a bid).

The Company does not consider that the Placement amounts to "unacceptable circumstances", but this would ultimately be a matter for the Takeovers Panel to determine if an application is made to the Panel by a person affected by the Placement. One of the reasons for the Company's view is that the Placement will only proceed if it is approved by Shareholders.

Another reason is that there is a clear commercial imperative for the Placement (ie it is not being carried out for the purpose of frustrating the Auctus Offer). The Conditions (among other things) restrict the Company's ability to secure funding. Such funding is required to implement a strategy to bring the King Vol Zinc Project into production and deliver value to Shareholders. In the event the Placement does not proceed, the Company may not have access to all of the funding required to carry-out key aspects of its work-plan which include the completion of its current drilling program and completion of a feasibility study. As a result, and in light of the Company's current cash balance, the Company may be forced to delay progressing its work-plan or secure funds by other means, which the Board believes would be potentially detrimental to the Company.

*The Placement is at a substantial discount to the Independent Expert's valuation on a control basis*

As set out in the Independent Expert's Report, the Independent Expert assessed the fair value of a Share on a *control* basis to be in the range of 24.19 cents to 31.69 cents. The issue price of 14 cents per Share under the Placement is at a substantial discount to that valuation range, although it is important to bear in mind that the Independent Expert's valuation included a premium for control.

The issue price is also at a premium to Auctus' offer price of 13.5 cents per share and is at premium to the Company's 30-day and 90-day VWAP up to 26 May 2015 (being the date the Company went into a trading halt pending the announcement of the Placement).

### **3.5 Information required by ASX Listing Rule 7.3**

ASX Listing Rule 7.3 prescribes certain information requirements for a notice sent to shareholders for the purposes of ASX Listing Rule 7.1. The information set out below has been included in the Explanatory Memorandum to comply with ASX Listing Rule 7.3.

- (a) **Maximum number of securities to be issued:** The maximum number of Placement Shares to be issued by the Company pursuant to Resolution 1 is 36,136,000 Shares. The issue of the Placement Shares will mean that the total number of Shares on issue will increase by approximately just under 15% (based on the number of Shares on issue as at the date of this Notice of Meeting).
- (b) **Issue date:** The Placement Shares are expected to be issued as soon as practicable after the date of the General Meeting and, in any event, within three months of the date of the Meeting.
- (c) **Issue price:** The issue price is \$0.14 per Share.
- (d) **Placees:** If Resolution 1 is passed, the relevant Placement Shares will be issued to those placees in respect of whom Commitment Letters have been received by the Company and, subject to Resolutions 2, 3 and 4 also being passed, to Mr John Fitzgerald, Mr Anthony James and Mr Richard Yeates. The placees comprise certain institutional and professional and sophisticated investors.

- (e) **Terms of securities:** The Placement Shares will be issued on the same terms and conditions as the Company's existing Shares and, from the date of issue, will rank equally with all other Shares on issue (save only that, without the ASIC relief referred to above, the Auctus Offer will not apply to them).
- (f) **Use of funds:** Details as to the intended use of the funds raised from the Placement are set out in paragraph 3.3.

### 3.6 Board Recommendation

The Board notes that Shareholders are effectively required to make a choice between two transactions – the Placement and the Auctus Offer.

The reason for this is that, if Shareholders approve the Placement and the Placement proceeds, a Condition of the Auctus Offer will be breached and Auctus may, therefore, elect not to continue with its offer.

The Directors have unanimously recommended that Shareholders **REJECT** the Auctus Offer. Details and reasons for this are set out in the Company's Target's Statement, which was dispatched on 29 May 2015. Your Directors strongly encourage you to read both documents in full, as well as the Company's supplementary target's statements.

As noted above, the Board has proposed the Placement as it believes that successful implementation of its strategy to bring the King Vol Zinc Project into production will ultimately provide more value to Shareholders than accepting Auctus' offer of \$0.135 per Share.

The Board also believes that the Placement is the most efficient procedure to raise funds in the circumstances in order to pursue that strategy.

After careful consideration of all relevant circumstances (including the fact that potentially the Auctus Offer may not proceed), your Directors consider that the Placement is in the best interests of Shareholders and unanimously recommend that all Shareholders vote in favour of Resolution 1.

The Chairman intends to vote all undirected proxies in favour of Resolution 1.

If, notwithstanding the recommendation, you want to be able to accept the Auctus Offer, you should vote against the Placement.

---

## 4. Resolutions 2, 3 and 4 – Approval to issue Shares in the Placement to Mr John Fitzgerald, Mr Anthony James and Mr Richard Yeates

### 4.1 Introduction

Mr Fitzgerald, Mr James and Mr Yeates, all of whom are Directors of the Company, have agreed to subscribe for a total of 1,607,141 Shares as part of the Placement. If the relevant Resolutions are passed, Messrs Fitzgerald, James and Yeates will participate in the Placement on the same terms and conditions as the other placees.

ASX Listing Rule 10.11 prohibits the Company from issuing Equity Securities to a Related Party of the Company (or an associate of a Related Party) without Shareholder approval. Mr Fitzgerald, Mr James and Mr Yeates are each a Related Party of the Company because they are Directors of the Company. Resolutions 2, 3 and 4 seek Shareholder approval for the issue of the Placement Shares to those Directors (or their respective nominees) for the purposes of ASX Listing Rule 10.11.



If Resolutions 1, 3, 4 and 5 are passed by Shareholders:

- (a) Mr Fitzgerald (or his nominee) will be issued 714,285 Placement Shares;
- (b) Mr James (or his nominee) will be issued 714,285 Placement Shares; and
- (c) Mr Yeates (or his nominee) will be issued 178,571 Placement Shares.

## 4.2 Effect on the Auctus Offer

If Shareholders approve any of Resolutions 2, 3 or 4, an issue of shares will occur as part of the Placement. As noted in paragraph 3, if the Placement occurs, it would be open to Auctus to take the view that Condition (cc)(iv) of the Auctus Offer has been breached. The effect of the Placement on the Auctus Offer, and the fact that the Placement is at a substantial discount to the Independent Expert's valuation on a control basis, is discussed further in paragraph 3.4.

## 4.3 Information required by ASX Listing Rule 10.13

ASX Listing Rule 10.13 prescribes certain information requirements for a notice sent to shareholders for the purposes of ASX Listing Rule 10.11. The information set out below has been included in the Explanatory Memorandum to comply with ASX Listing Rule 10.13.

- (a) **Maximum number of securities to be issued:** The maximum number of Placement Shares to be issued to Mr Fitzgerald (or his nominee) is 714,285 and Mr James (or his nominee) is 714,285 and Mr Yeates 178,571 (or his nominee), totalling 1,607,141 Placement Shares.
- (b) **Issue price:** The issue price is \$0.14 per Share (ie the same price as all of the Shares issued under the Placement).
- (c) **Terms of securities:** The Placement Shares to be issued to Mr Fitzgerald, Mr James and Mr Yeates will be issued on the same terms and conditions as the other Placement Shares (see paragraph 3.5(e) for further information).
- (d) **Allottees:** The Placement Shares the subject of Resolutions 2, 3 and 4 will be issued to Mr Fitzgerald (or his nominee), Mr James (or his nominee) and to Mr Yeates (or his nominee), respectively.
- (e) **Use of funds:** Details as to the intended use of the funds raised from the Placement are set out in paragraph 3.3.
- (f) **Date of issue:** The Placement Shares are expected to be issued to Mr Fitzgerald, Mr James and Mr Yeates as soon as practicable after the date of the General Meeting and, in any event, within one month after the date of the General Meeting.

---

# 5. Resolution 5 – Change of Company Name

## 5.1 General

In accordance with section 157 of the Corporations Act, if a company wants to change its name, its members must pass a special resolution adopting that new name.

Resolution 5 seeks Shareholder approval for the change of name of the Company to Atherton Resources Limited.

Resolution 5 is a special resolution and therefore requires 75% of the votes cast by Shareholders entitled to vote on the Resolution (in person or by proxy, attorney or corporate representative) to be voted in favour of that Resolution.

The change of name will take effect on the date that ASIC alters the details of the Company's registration.

The Chairman intends to vote all undirected proxies in favour of Resolution 5.

## 5.2 Director Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 5.

---

# 6. Resolution 6 – Approval of the Company's Performance Rights Plan

## 6.1 General

Resolution 6 seeks various approvals in connection with the Company's proposed performance rights plan (**Performance Rights Plan**).

The Performance Rights Plan provides for the issue of Performance Rights which, upon a determination by the Board that the performance conditions attached to the Performance Rights have been met, will result in the issue of one ordinary Share in the Company for each Performance Right.

No securities have been issued under the Performance Rights Plan and the Performance Rights Plan has not previously been approved by Shareholders.

If Resolution 6 is approved, the Company intends to grant a total of 5,000,000 Performance Rights to certain employees (excluding the Performance Rights proposed to be granted to Mr James and Mr Fitzgerald, which are the subject of Resolutions 7 and 8, respectively). **Shareholders should note that the issue of Performance Rights may have consequences both in terms of the Auctus Offer and any competing offer by a third party.** Refer to paragraph 6.5 for further details.

Further information about the Performance Rights Plan is set out below. A copy of the Performance Rights Plan can be obtained by contacting the Company.

The Company's Chairman, Mr Fitzgerald is considered to hold a Managerial or Executive Office and is eligible to participate in the Performance Rights Plan. Accordingly, under the Corporations Act, he is prohibited from voting any undirected proxy appointment on Resolution 6. **Accordingly, if you appoint the Chairman of the Meeting as your proxy, you are therefore urged to indicate on the Proxy Form how he should cast your vote on Resolution 6.**

## 6.2 ASX Listing Rule approval

*ASX Listing Rule 7.2, Exception 9*

Shareholder approval is being sought to approve the issue of Performance Rights under the Performance Rights Plan so that the Company will satisfy ASX Listing Rule 7.2, Exception 9 (as an exception to ASX Listing Rule 7.1).

ASX Listing Rule 7.1 provides that, without the approval of Shareholders, an entity must not issue or agree to issue Equity Securities which amount to more than 15% of its issued share capital in any rolling 12 month period. ASX Listing Rule 7.2 sets out a number of exceptions to ASX Listing Rule 7.1. These exceptions include Exception 9, which relates to an issue under an employee incentive scheme if, within three years before the date of issue, Shareholders have approved the issue of securities under the scheme.

If Resolution 6 is approved, all the Performance Rights subsequently issued by the Company under the Performance Rights Plan (including the Shares issued on the vesting of such Performance Rights) will be excluded from the 15% Threshold for a period of three years from the date of the approval.

#### *ASX Listing Rule 7.9*

Shareholder approval is also being sought for the purposes of ASX Listing Rule 7.9. As noted above, ASX Listing Rule 7.9 prohibits a company from issuing (or agreeing to issue) Equity Securities (which includes Performance Rights) within three months after it is told in writing that a person is making or proposing to make a takeover offer. The Auctus Offer was announced on 29 April 2015 and, as a result, the prohibition will apply to the Company until 29 July 2015.

As the General Meeting is only scheduled to be held on 31 July 2015, approval for the purposes of ASX Listing Rule 7.9 may not technically be required. However, as ASX Listing Rule 7.9 will apply to the Company when this Notice is dispatched to Shareholders, the Company considers it appropriate to also seek approval for the purposes of ASX Listing Rule 7.9.

As described in further detail in paragraph 6.7 below, the Company intends to grant a total of 5,000,000 Performance Rights to certain employees (excluding the Performance Rights proposed to be granted to Mr James and Mr Fitzgerald).

#### *ASX Listing Rule 10.19*

Shareholder approval is also being sought for the purposes of ASX Listing Rule 10.19. ASX Listing Rule 10.19 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 6 (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.

### **6.3 Corporations Act approval**

#### *Section 195*

The Company is seeking approval for the purposes of section 195 of the Corporations Act as the Directors may have a material personal interest in the outcome of Resolution 6 because all of the Directors are eligible to participate in the Performance Rights Plan. Without this approval, the Directors would not be able to form a quorum at the directors' meeting at which the Performance Rights Plan is to be formally adopted by the Board. The Directors accordingly exercise their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

Please note that it is currently proposed that only Mr Fitzgerald and Mr James will participate in the Performance Rights Plan. This participation is the subject of Resolutions 7 and 8. No Performance Rights will be issued to Mr Yeates and Mr Wu without separate shareholder approval, which is not being sought at this Meeting.

## *Sections 200B and 200E*

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 removal of any automatic lapsing requirement. As outlined in the summary of the Performance Rights Plan in paragraph 6.6, the Board has a discretion to determine that, upon a security holder ceasing to be an eligible participant, that 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.

Shareholder approval of Resolution 6 will allow the Company, where appropriate, to exercise its discretion under the Performance Rights Plan in an equitable manner for all eligible participants equally.

If Resolution 6 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:

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

## **6.4 Background to the Performance Rights Plan**

Since early February 2015, the Company has been actively considering appropriate means for:

- retaining its key employees and Directors, and attracting future key employees; and
- incentivising its employees and Directors to achieve its strategy to bring the King Vol Zinc Project into production by the end of 2016.

As announced on 23 February 2015, the terms of Mr James' appointment provided for the issue of Performance Rights as part of the long term incentive component of his remuneration (subject to Shareholder approval). The Board approved Mr James' appointment and his remuneration package on 17 February 2015. After careful consideration of the available options for incentivising its employees and Directors, the Board determined:

- to exercise the Directors' right under section 195(4) of the Corporations Act to put the Performance Rights Plan to Shareholders (and, subject to such approval being obtained, adopt the Performance Rights Plan); and
- subject to the required approvals being obtained, the Performance Rights the subject of Resolution 6 to 8 should be issued to Mr James, Mr Fitzgerald or certain other key employees.

The Company had intended to seek the approvals currently proposed in this Notice in relation to the Performance Rights Plan and the proposed issues of Performance Rights soon after Mr James' appointment. However, the Company decided to delay seeking those approvals following the announcement of the Auctus Offer in order to focus its attention on considering and responding to that offer and so that the approvals in respect of the Placement could also be sought at the same meeting.

The Board is of the view that the issue of Performance Rights under the plan is the most effective means of incentivising eligible participants to achieve the Company's strategy, as the conditions to the vesting of the Performance Rights can be aligned with the steps required to achieve that strategy.

The Board believes that the grants intended to be made to eligible participants under the Performance Rights Plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the implementation of the Performance Rights Plan will:

- (a) enable the Company to incentivise and retain existing Directors, key management personnel and other eligible employees needed to achieve the Company's business objectives;
- (b) enable the Company to recruit, incentivise and retain additional Directors, key management personnel and other eligible employees needed to achieve the Company's business objectives;
- (c) link the reward of key staff with the achievements of strategic goals and the long term performance of the Company;
- (d) align the financial interest of participants in the Performance Rights Plan with those of Shareholders; and
- (e) provide incentives to participants in the Performance Rights Plan to focus on superior performance that creates Shareholder value.

## **6.5 Effect on the Auctus Offer and other potential consequences**

If Shareholders approve Resolution 6 and Performance Rights are issued pursuant to the Performance Rights Plan during the Offer Period, there is a risk that Auctus may take the view that a Condition of the Auctus Offer (such as Condition (cc)(iv)) has been breached, and determine to allow the offer to lapse or to seek approval from ASIC to withdraw the offer.

As described in further detail in paragraph 6.6 below, pursuant to the terms of the Performance Rights Plan, following a change of control:

- 50% of all the Performance Rights on issue at the relevant time will automatically vest; and
- the Board has a discretion to vest all or part of the remaining Performance Rights.

The automatic vesting provision does not apply to the Auctus Offer at the current offer price of 13.5 cents per Share, but will apply in other circumstances (including an increased offer by Auctus or an offer by a party other than Auctus).

The Board will not exercise its discretion to accelerate the vesting of any Performance Rights as a result of the Auctus Offer at the current offer price of 13.5 cents per Share.

In considering whether to exercise its discretion to accelerate the vesting of any Performance Rights as a result of any other transaction (eg an increased offer by Auctus or an offer by a party other than Auctus), the Board will carefully consider the expiry date of the Performance Rights and the extent to which the relevant performance conditions have been satisfied. In circumstances where there is a change of control shortly after the date of the General Meeting, and little progress has been made in respect of the performance conditions, the Board's current position is not to exercise its discretion to vest any further Performance Rights.

Accordingly, it is possible that the issues of the Performance Rights contemplated in this Notice and the subject of Resolutions 6 to 8, could:

- deter Auctus from increasing its offer price; or
- deter a competing bidder from making a takeover offer for the Company.

Furthermore, if Resolutions 6 to 8 are passed and Auctus does decide to increase its offer price or a competing offer is made, it is *possible* that the amount offered to Shareholders will be lower than it might otherwise have been.

If Shareholders wish to accept the Auctus Offer or avoid any of the other potential consequences referred to above, they should consider voting against Resolutions 6 to 8.

You should also consider voting against Resolution 6 if you consider the accelerated vesting provisions in the Performance Rights Plan should not apply to any increased offer by Auctus or a competing offer received in the near term.

## 6.6 Outline of the Performance Rights Plan

This paragraph gives a brief outline of how the Board intends to implement initial participation in the proposed Performance Rights Plan and also summarises the key terms of that plan.

### ***Participation***

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long term incentives to staff. They are also used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to grant Performance Rights under the Performance Rights Plan to Eligible Participants (including Directors), to achieve the objectives outlined above. A Performance Right is a right to be issued a Share upon satisfaction of certain performance conditions that are attached to the Performance Right, as determined by the Board.

In accordance with the requirements of the ASX Listing Rules, prior Shareholder approval will be required before any Director or other related party of the Company can participate in the Performance Rights Plan.

### **Summary of the Performance Rights Plan**

The Board is cognisant of general Shareholder concern that long-term equity based rewards for staff should be linked to the achievement by the Company of a performance condition. Performance Rights granted under the Performance Rights Plan to eligible participants will be subject to performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. Upon Performance Rights vesting, Shares are automatically issued.

The Board considers that the Performance Rights Plan is a crucial mechanism to encourage and retain high level executive, non-executive and employee performance by setting the performance conditions in a manner designed to incentivise and reward high level performance.

The principal terms of the Performance Rights Plan are summarised below:

**Eligible Participants:** The eligible participants under the Performance Rights Plan are full time employees and permanent part-time employees of the Company and its subsidiaries (including all of the Directors) and any other person determined by the Board to be included for the purposes of the Performance Rights Plan (**Eligible Participants**). In accordance with the ASX Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Performance Rights Plan and be granted Performance Rights. Eligible Participants are entitled to nominate a nominee to apply for and hold the Performance Rights.

**Limits on offers:** An offer of Performance Rights must not be made under Performance Rights Plan if the Board has reasonable grounds to believe that the aggregate of any one or more of the following exceeds 5% of the total number of issued Shares:

- (a) the number of Shares which would be issued if the Performance Rights the subject of the offer were exercised; and
- (b) the number of Shares issued or that may be issued as a result of offers made during the previous 3 years pursuant to the Performance Rights Plan, any other employee incentive scheme covered by ASIC Class Order [CO 14/1000] or an ASIC exempt arrangement of a similar kind to an employee incentive scheme.

Additionally, and subject to the above restriction, the intent of the Board is to limit the number of Shares which may be issuable at any time on exercise of all outstanding Performance Rights to 20 million Shares. This is a statement of current intent and may vary over time if the Company's circumstances change.

**Individual Limits:** The Performance Rights Plan does not set out a maximum number of Shares that may be made issuable to any one person.

**Consideration Payable:** Performance Rights will be issued for no consideration and no amount will be payable upon exercise thereof.

**Offer and Performance Conditions:** The Performance Rights issued under the Performance Rights Plan to Eligible Participants will be subject to performance conditions, determined by the Board from time to time and expressed in a written offer letter (**Offer**) made by the Company to the Eligible Participant which is subject to acceptance by the Eligible Participant within a specified period. The performance conditions may include one or more of (i) service to the Company of a minimum period of time (ii) achievement of specific performance conditions by the participant and/or by the Company (iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest, or (iv) such other performance conditions as the Board may determine and set out in the Offer. The Board in its absolute discretion may determine that a performance condition has been satisfied.

**Expiry Date and lapse of Performance Rights:** Performance Rights will have an expiry date as the Board may determine in its absolute discretion and specify in the Offer. The Board is not permitted to extend an expiry date without shareholder approval.

If a performance condition in respect of a Performance Right is not achieved by the expiry date then the applicable Performance Right will lapse. Unless the Board determines otherwise, a Performance Right will lapse if the relevant participant ceases to be an Eligible Participant for the purposes of the Performance Rights Plan for any reason (other than as a result of bona fide retirement, death or total and permanent disability or bona fide redundancy).

**Forfeiture:** If a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Shares issued on the exercise of Performance Rights to be forfeited. In the event the underlying Shares have been sold by the participant, the participant will be required to pay all or part of the net proceeds of that sale to the Company.

**Assignment:** Without prior approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

**Takeover Bid or Change of Control:** 50% of all Performance Rights automatically vest in the event of:

- (a) a Court approval of a merger by way of scheme of arrangement (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company);
- (b) a takeover bid (as defined in the Corporations Act) is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50% or more of the shares in the Company (this does not apply in relation to the Auctus Offer at the current offer price of 13.5 cents per Share, but will apply at an offer price of greater than 13.5 cents per share and will apply to any offer by a party other than Auctus); or
- (c) any person acquires a relevant interest in 50.1% or more shares in the Company by any other means.

The Board has a discretion to vest all or part of the remaining Performance Rights under the above circumstances. As noted above, the automatic vesting provision does not apply to the Auctus Offer at the current offer price of 13.5 cents per Share, but will apply in other circumstances (including an increased offer by Auctus and an offer by a party other than Auctus). The Board will not exercise its discretion to vest any Performance Rights as a result of the Auctus Offer at the current offer price of 13.5 cents per Share.

**Alteration in Share Capital:** Appropriate adjustments will be made to the number of Performance Rights in accordance with the ASX Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

**Pro Rata Issue of Securities:** A holder of Performance Rights will only be able to participate in a pro rata offer of new securities in the Company to existing shareholders, if, prior to the record date, the Performance Rights have vested and validly exercised. In addition, no adjustment to the number of Shares a Performance Rights holder is entitled to or adjustment to any performance condition which is based, in whole or in part, upon the Company's Share price, shall occur as a result of the Company undertaking a rights issue.



**Bonus Issue:** If, during the term of any Performance Right, the Company completes a bonus issue, the number of Shares each Performance Right holder is then entitled to shall be increased by that number of securities which the holder would have been issued if the Performance Rights held by the holder were exercised immediately prior to the record date for the bonus issue.

**Participation in other Opportunities:** There are no participation rights or entitlements inherent in the Performance Rights, though the Company will use its reasonable endeavours to ensure that each holder is given an opportunity to participate on the same basis as if his or her Performance Rights had been exercised.

**Termination, Suspension or Amendment:** The Board may terminate, suspend or amend the Performance Rights Plan at any time subject to any resolution of the Company required by the ASX Listing Rules.

## 6.7 Initial Performance Conditions

The Board is intending to grant Performance Rights in three tranches as summarised in the table below:

Tranche	Performance Condition	Expiry Date	Initial allocation to Eligible Participants*
Tranche 1 Performance Rights	(a) 50% of the Performance Rights are granted subject to the Company achieving a positive TSR and in accordance with the vesting schedule below. (b) 50% of the Performance Rights are granted subject to specific KPIs to be agreed with the Eligible Participants.	30 June 2016	1,666,666
Tranche 2 Performance Rights	(a) 50% of the Performance Rights are granted subject to the Company achieving a positive TSR and in accordance with the vesting schedule below. (b) 50% of the Performance Rights are granted subject to specific KPIs to be agreed with the Eligible Participants.	30 June 2017	1,666,666
Tranche 3 Performance Rights	(a) 50% of the Performance Rights are granted subject to the Company achieving a positive TSR and in accordance with the vesting schedule below. (b) 50% of the Performance Rights are granted subject to specific KPIs to be agreed with the Eligible Participants.	30 June 2018	1,666,667

\* 7,200,000 Performance Rights are to be issued to Mr Anthony James, Managing Director of the Company, and 1,500,000 Performance Rights are to be issued to Mr John Fitzgerald, Non-Executive Director of the Company. These Performance Rights have not been included in the initial allocation as they are subject to Shareholder approval under Resolutions 7 and 8 of this Notice. The initial allocation is based on the current intention of the Board and is subject to change or amendment should new appointments be made.

The vesting schedule for Performance Rights subject to a positive TSR is as follows:

Relative TSR performance	Performance Vesting
Less than 50th percentile	0% vesting
At the 50th percentile	50% vesting
Between 50th and 75th percentile	Between 50% and 100% vesting calculated on a linear basis
At or above 75th percentile	100% vesting

If a performance condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

#### **Total Shareholder Return (TSR)**

**TSR** measures the return received by shareholders from holding Shares in the Company over a performance period. TSR is calculated by taking into account the growth in the Company's Share price over the performance period as well as any dividends received during that period. The formula for calculating TSR is shown below:

$$\frac{(\text{Share Price at End} - \text{Share Price at Beginning}) + (\$ \text{ Dividends Received and Reinvested})}{\text{Share Price at Beginning}}$$

A 5 day VWAP will be used to determine the share price at the end, and the share price at the beginning, of the applicable performance period.

The VWAP for the Share price at the beginning will be based on the VWAP over the 5 days prior to the start of the performance period and the VWAP for the Share price at the end will be based on the VWAP over the 5 days prior to the end of the performance period.

The Company's TSR will be ranked against a peer group of companies. To measure performance against the performance condition:

- (a) TSR of the companies in the peer group is calculated;
- (b) the peer group companies are ranked according to their TSR;
- (c) the Company's TSR is calculated to determine its percentile in relation to the peer group companies; and
- (d) the Company's percentile determines how many Performance Rights will vest in accordance with the table set out below.

The TSR will be measured against the following peer group ASX listed companies:

- Heron Resources Limited
- Red River Resources Limited
- Aeon Metals Limited
- Rex Minerals Limited
- KGL Resources Limited
- Rox Resources Limited
- Havilah Resources NL
- Minotaur Exploration Limited

Unless the Board determines otherwise, none of the Performance Rights vesting subject to a positive TSR will vest unless the percentile ranking of the Company's TSR for the relevant performance period in relation to the comparative TSRs of the peer group companies for the relevant performance period is at or above the 50th percentile, with the added requirement that the Company's relevant TSR over the performance period must be positive.

## **6.8 Specific Information Required by ASX Listing Rule 7.2**

In accordance with the requirements of ASX Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) The material terms of the Performance Rights Plan are summarised above.
- (b) This is the first approval sought under ASX Listing Rule 7.2 Exception 9 with respect to the Performance Rights Plan.
- (c) No securities have been issued under the Performance Rights Plan.
- (d) A voting exclusion statement has been included for the purposes of Resolution 6.

---

## **7. Resolutions 7 and 8 - Approval of the Grant of Performance Rights to Mr Anthony James and Mr John Fitzgerald**

### **7.1 General**

Resolution 7 seeks Shareholder approval pursuant to ASX Listing Rules 7.9 and 10.14, and Chapter 2E of the Corporations Act, for the grant of 7,200,000 Performance Rights to Mr Anthony James, as the incentive component of his remuneration as Managing Director. Mr James plays a key role in the Company's current operations.

Resolution 8 seeks the same approvals for the grant of 1,500,000 Performance Rights to Mr John Fitzgerald.

Resolutions 7 and 8 are conditional on the approval of Resolution 6. If Resolution 6 is not passed, no Performance Rights will be granted to Mr James or Mr Fitzgerald.

The Chairman intends to vote all undirected proxies in favour of Resolutions 7 and 8.

If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolutions 7 and 8, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though those Resolutions are connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

#### *Information in relation to Mr James*

Mr James was until recently Managing Director of Mutiny Gold (ASX: MYG), where he led the implementation of a revised development strategy for the Deflector copper-gold deposit in WA. This resulted in the recent successful merger of Mutiny Gold and Doray Minerals (ASX: DRM). The merger was completed by way of an off-market takeover by Doray, crystallising significant value for shareholders.

Prior to that, he held a number of senior positions with international gold producer Alacer Gold Corporation including President of its Australian operations following the merger between Anatolia Minerals (TSX: ANO) and Avoca Resources (ASX: AVO) in 2011. Initially employed by Avoca he played a key role in the growth and success of Avoca in Australia, leading the feasibility and development of the Higginsville Gold Operations.

Before joining Avoca, he held a number of key senior operational and executive positions across the Australian mining industry including as General Manager – Mining for the successful diversified nickel and gold miner LionOre Mining International, General Manager of the Black Swan Nickel Mine for MPI Mines, Mining Manager at the Kanowna Belle gold mine for Delta Gold, Mining Manager at the Lennard Shelf Zinc Operations and Underground Manager at Newcrest's Telfer gold mine.

The Board considers that the grant of these Performance Rights is:

- a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr James;
- consistent with the strategic goals and targets of the Company; and
- consistent with the terms of Mr James' appointment, as announced on ASX on 23 February 2015.

#### *Information in relation to Mr Fitzgerald*

Mr Fitzgerald is the Managing Director of Optimum Capital Pty Ltd, a corporate advisory business focussed on the mining sector. He has previously held senior positions at NM Rothschild & Sons, Investec Bank Australia, Commonwealth Bank and HSBC Precious Metals. Mr Fitzgerald is a member of the Australian Institute of Company Directors and the Institute of Chartered Accountants and is a Fellow of FINSIA.

Mr Fitzgerald is a Non-Executive Director of Northern Star Resources Limited and South Boulder Mines Limited, and was previously Chairman of Integra Mining Limited.

In the Company's present circumstances, the Board considers it reasonable for Mr Fitzgerald' remuneration to also have an equity component. The Board believes that the grant of these Performance Rights is:

- a cost effective and efficient reward for the Company to make to retain Mr Fitzgerald and appropriately incentivise his continued performance as the Company's Chairman; and
- consistent with the strategic goals and targets of the Company.

## **7.2 ASX Listing Rule approval**

### *ASX Listing Rule 10.14*

ASX Listing Rule 10.14 provides that a company must not issue Equity Securities to a director under an employee incentive scheme (such as the Performance Rights Plan) unless the issue has been approved by shareholders.

If approval is given by Shareholders under ASX Listing Rule 10.14, separate Shareholder approval is not required under ASX Listing Rule 7.1.

As Mr James and Mr Fitzgerald are both Directors of the Company, Resolutions 7 and 8 seek approval for the issue of the Performance Rights to them under the Performance Rights Plan for the purposes of ASX Listing Rule 10.14.

### *ASX Listing Rule 7.9*

Shareholder approval is also being sought for the purposes of ASX Listing Rule 7.9. As noted above, ASX Listing Rule 7.9 prohibits a company from issuing (or agreeing to issue) Equity Securities (which includes Performance Rights) within three months after it is told in writing that a person is making or proposing to make a takeover offer. The Auctus Offer was announced on 29 April 2015 and, as a result, the prohibition will apply to the Company until 29 July 2015.

As the General Meeting is only scheduled to be held on 31 July 2015, approval for the purposes of ASX Listing Rule 7.9 may not technically be required. However, as ASX Listing Rule 7.9 will apply to the Company when this Notice is dispatched to Shareholders, the Company considers it appropriate to also seek approval for the purposes of ASX Listing Rule 7.9.

As described in further detail below, the Company intends to grant Performance Rights to Mr James and Mr Fitzgerald.

## **7.3 Corporations Act approval**

Chapter 2E of the Corporations Act requires the provision of "financial benefits" to "related parties" by a public company to be approved by shareholder unless the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

As Directors of the Company, Mr James and Mr Fitzgerald are each a related party of the Company.

"Financial benefit" is broadly defined in the Corporations Act. It includes paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Section 211 provides an exception from the requirement to obtain shareholder approval in circumstances where the proposed financial benefit is considered to be "reasonable remuneration". Whilst the Board (excluding Mr James in respect of the proposed issue to him and excluding Mr Fitzgerald in respect of his proposed issue) considers the grant of the Performance Rights to Mr James and Mr Fitzgerald is an appropriate and reasonable component of their remuneration, the Board nevertheless considers it appropriate to seek approval for the purposes of Chapter 2E of the Corporations Act.

## **7.4 Effect on the Auctus Offer and other potential consequences**

If Shareholders approve Resolutions 7 and 8, there is a risk that Auctus may take the view that a Condition of the Auctus Offer (such as Condition (cc)(iv)) has been breached and determine to allow that offer to lapse or to seek approval from ASIC to withdraw the offer.

As described in further detail in paragraph 6.6 above, pursuant to the terms of the Performance Rights Plan, following a change of control:

- 50% of all the Performance Rights on issue at the relevant time will automatically vest; and
- the Board has a discretion to vest all or part of the remaining Performance Right.

The automatic vesting provision does not apply to the Auctus Offer at the current offer price of 13.5 cents per Share, but will apply in other circumstances (including an increased offer by Auctus and an offer by a party other than Auctus).

The Board will not exercise its discretion to accelerate the vesting of any Performance Rights as a result of the Auctus Offer at the current offer price of 13.5 cents per Share, but may decide to do so in respect of an increased offer by Auctus or an offer by a party other than Auctus).

Accordingly, it is possible that the issues of the Performance Rights contemplated in this Notice and the subject of Resolutions 6 to 8, could:

- deter Auctus from increasing its offer price; or
- deter a competing bidder from making a takeover offer for the Company.

Furthermore, if Resolutions 6 to 8 are passed and Auctus does decide to increase its offer price or a competing offer is made, it is *possible* that the amount offered to Shareholders will be lower than it might otherwise have been.

If Shareholders wish to accept the Auctus Offer or avoid any of the other potential consequences referred to above, they should consider voting against Resolutions 6 to 8.

## 7.5 Terms of issue and performance conditions

The Performance Rights to be granted to Mr James and Mr Fitzgerald will be granted in accordance with the Performance Rights Plan. The principal terms of the Performance Rights Plan are summarised in paragraph 6.6 above.

The Company has set some of the performance criteria for these Performance Rights to ensure that they only vest upon achievement of fundamental milestones related to the Chillagoe Project that will drive the long term value of the Company's securities.

The Performance Rights will be granted to Mr James and Mr Fitzgerald with the following performance conditions and expiry dates:

Tranche	Performance Condition	Expiry Date	Allocation to Mr James	Allocation to Mr Fitzgerald
Tranche 1	(a) 50% of the Performance Rights are granted subject to the Company achieving a positive TSR and in accordance with the vesting schedule below. (b) 50% of the Performance Rights are granted subject to delivery of a positive Definitive Feasibility Study in relation to the Chillagoe Project.	30 June 2016	2,400,000	500,000
Tranche 2	(a) 50% of the Performance Rights are granted subject to the Company achieving a positive TSR and in accordance with the vesting schedule below. (b) 50% of the Performance Rights are granted on commencement of First Production and subject to the Chillagoe Project being fully funded.	30 June 2017	2,400,000	500,000

Tranche	Performance Condition	Expiry Date	Allocation to Mr James	Allocation to Mr Fitzgerald
Tranche 3	(a) 50% of the Performance Rights are granted subject to the Company achieving a positive TSR and in accordance with the vesting schedule below. (b) 50% of the Performance Rights are granted subject to additional ore reserves of 1 million tonnes being added to the mine plan for the Chillagoe Project (which may be derived from the other deposits).	30 June 2018	2,400,000	500,000
		<b>Total</b>	<b>7,200,000</b>	<b>1,500,000</b>

The vesting schedule for Performance Rights vesting subject to a positive TSR is as follows:

Relative TSR performance	Performance Vesting
Less than 50th percentile	0% vesting
At the 50th percentile	50% vesting
Between 50th and 75th percentile	Between 50% and 100% vesting calculated on a linear basis
At or above 75th percentile	100% vesting

If the performance condition of a Performance Right is satisfied prior to the relevant expiry date, the Performance Right will vest. If the performance condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

## 7.6 Specific information required by ASX Listing Rule 10.15 and section 219 of the Corporations Act

In accordance with ASX Listing Rule 10.15 and section 219 of the Corporations Act, the following information is provided:

- (a) The Performance Rights detailed in the table above will be granted to Mr James, Managing Director of the Company, or his nominee, and Mr Fitzgerald, Non-Executive Director of the Company, or his nominee.
- (b) The maximum number of Performance Rights to be granted to Mr James pursuant to Resolution 7 is 7,200,000, comprising of 2,400,000 Tranche 1 Performance Rights, 2,400,000 Tranche 2 Performance Rights and 2,400,000 Tranche 3 Performance Rights.

The maximum number of Performance Rights to be granted to Mr Fitzgerald pursuant to Resolution 8 is 1,500,000, comprising of 500,000 Tranche 1 Performance Rights, 500,000 Tranche 2 Performance Rights and 500,000 Tranche 3 Performance Rights. The actual number of Performance Rights that vest is dependent on the achievement of the performance conditions as described above.

- (c) The Performance Rights will be granted as incentive Performance Rights and will be granted for no monetary consideration. The Performance Rights will not have an exercise price. However, in order for the Performance Rights to be vest (and be exercised), the above performance conditions will need to be satisfied.
- (d) Should Resolution 6 to 8 be approved, the Company will grant the Performance Rights as soon as practicable after the date of this Meeting, but in any event within twelve months after the date of the Meeting.
- (e) Under the Performance Rights Plan, only Eligible Participants are entitled to participate in the Performance Rights Plan. Mr James and Mr Fitzgerald have each been determined to be an Eligible Participant for the purposes of the Performance Rights Plan.
- (f) No person referred to in ASX Listing Rule 10.14 has been issued securities under the Performance Rights Plan. The names of the people referred to in ASX Listing Rule 10.14 that are entitled to participate in the Performance Rights Plan are Anthony James, John Fitzgerald, Justin Jian Yi Wu and Richard James Yeates (although at this time Anthony James and John Fitzgerald are the only proposed participants).
- (g) The Company does not propose providing any loans to Mr James or to Mr Fitzgerald in respect of their acquisition of the Performance Rights the subject of Resolutions 7 and 8.
- (h) A voting exclusion statement is included in the Notice.
- (i) As at the date of this Notice:
  - (i) Mr James receives a salary of \$300,000 (plus superannuation of up to the maximum superannuation contribution base) per annum;
  - (ii) Mr James is eligible 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;
  - (iii) In addition to the Performance Rights the subject of Resolution 7, Mr James is eligible for such other discretionary long term incentives as may be determined by the Company;
  - (iv) Mr James does not hold any securities in the Company;
  - (v) Mr Fitzgerald receives directors fees of \$80,000 (including superannuation) per annum;
  - (vi) In addition to the Performance Rights the subject of Resolution 8, Mr Fitzgerald is eligible for such discretionary long term incentives as may be determined by the Company; and
  - (vii) Mr Fitzgerald holds 27,143 Shares in the Company and 250,000 options with an exercise price of \$2.00 and expiry date of 15 November 2015.
- (j) On the basis of the assumptions below, independent consultant Value Logic Pty Ltd has determined the technical value of one Performance Right that is subject to the TSR performance hurdle is approximately:
  - \$0.062, if the time to expiry is 1 year;
  - \$0.063, if the time to expiry is 2 years; and



- \$0.062, if the time to expiry is 3 years.

The valuation is based on the Monte Carlo Simulation calculations, which is considered by Value Logic Pty Ltd ACN 147 009 069 to be the most appropriate method of valuation compared to other methods considered, namely the Black-Scholes and Binomial model calculations. The total technical value of:

- the 7,200,000 Performance Rights to be issued to Mr James is approximately \$728,674; and
- the 1,500,000 Performance Rights to be issued to Mr Fitzgerald is approximately \$151,807.

By way of comparison, the value of one Performance Right that is not subject to the TSR performance hurdle under both the Black-Scholes and Binomial model calculations is approximately \$0.14 (and the total technical value of all the 7,200,000 Performance Rights to Mr James would be \$1,008,000, and the total technical value of all the 1,500,000 Performance Rights to Mr Fitzgerald would be \$210,000).

The assumptions used in the Monte Carlo Simulation calculations are:

- (i) **Exercise price:** The exercise price is set in accordance with the terms and conditions of the performance rights to be issued. The exercise price of the performance rights has been set at \$0.00 per option. As the exercise price has presently not been altered, and there is no intention that it be altered, no adjustment to the exercise price is to be made.
- (ii) **Share price:** As the grant date of the performance rights is in the future, on or about the date of the Meeting at which the performance rights are to be approved, the share price at the time of issue has been estimated as the share price on 12 June 2015. This share price was \$0.14.
- (iii) **Expected Life of the Performance Rights:** The expected life of the performance rights will be taken to be the full period of time from grant date to expiry date. While there may be an adjustment made to take into account any accelerated vesting and exercise on the early satisfaction of the performance conditions or on a change of control, there is no factors which would indicate that this would be a likely occurrence. Therefore, the rights holder is not expected to exercise his performance rights earlier than the expiry date and no adjustment to the expected life of the performance rights has been made.
- (iv) **Share price volatility:** The Company has a long history of Share transactions by which to gauge the Company's Share price volatility, and this data provides some indication of the expected future volatility of the Company's Share price. The Share price volatility over the last 3 years was 194.72%. Due to the Company's historical share price movements, and the relative percentage of each movement against the Share price, it is expected that this volatility will not change significantly over the life of the performance rights. Therefore a volatility of 194.72% has been used as the expected future Share price volatility over the life of the performance rights.
- (v) **Expected Dividends:** The Company has not declared dividends in the past, and does not expect to declare dividends in the foreseeable future. As a result, no adjustment has been made to the pricing of the performance rights to take into account payment of dividends, to reflect the expectation that dividends are not expected to be declared over the period of the life of the performance rights.

- (vi) **Risk free rate:** The risk free rate is the implied yield at the date the performance rights were issued on zero-coupon national government bonds with a remaining life equal to the life of the rights. The interest rates were taken from historical data available from the Reserve Bank of Australia for 3 year Treasury Bonds.
- (vii) **Number of performance rights:** The total number of performance rights offered to Anthony James is 7,200,000 rights. The total number of performance rights offered to John Fitzgerald is 1,500,000 rights.
- (k) The vesting and exercise of the Performance Rights as outlined in Resolutions 7 and 8 will result in a dilution of all other Shareholders' holdings in the Company of 2.9% and 0.6% respectively, based on issued Shares as at the date of this Explanatory Memorandum (and excluding the Placement Shares).
- (l) Historical Share price information for the last twelve months prior to 26 June 2015 (being the last practicable trading date prior to the date of this Notice) is as follows:

	Price	Date
<b>Highest</b>	\$0.19	25 July 2014
<b>Lowest</b>	\$0.07	27 June 2014
<b>Last</b>	\$0.155	26 June 2015

- (m) No funds will be raised by the grant of the Performance Rights as they are being granted for nil consideration.
- (n) If Shareholders do not approve Resolution 7 or Resolution 8, the Performance Rights will not be granted to Mr James or Mr Fitzgerald respectively, and there is a risk that without these incentives to Mr James or Mr Fitzgerald respectively the Company's performance may not be as enhanced as it may otherwise have been had those securities being granted.
- (o) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to enable them to decide on a fully informed basis whether or not the financial benefit to be given to Mr James and Mr Fitzgerald is in the interests of the Company.

## 7.7 Director Recommendation

The Directors (other than Mr James who has a material personal interest in the outcome of Resolution 7) recommend that Shareholders vote in favour of Resolution 7.

The Directors (other than Mr Fitzgerald who has a material personal interest in the outcome of Resolution 8) also recommend that Shareholders vote in favour of Resolution 8.

---

## 8. Resolution 9 – Entry into Deeds of Indemnity, Insurance and Access with Directors

### 8.1 General

The purpose of Resolution 9 is to enable the Company to provide the Directors with a reasonable level of protection in relation to claims made against them for the period that they hold Office.

Given their respective duties and responsibilities and their potential liabilities, the Directors consider it appropriate that they be suitably protected from certain claims made against them. The proposed protection will only apply to the extent it is not prohibited by the Corporations Act.

As a person may be called to account for his or her actions several years after ceasing to hold Office, it is considered reasonable that suitable protection should extend for a period of time after a Director has ceased to hold Office.

Clause 61.7 of the Constitution provides that the Company may pay a premium for a contract insuring a person who is or has been a non-executive director against liability incurred by the person as a director, except in circumstances prohibited by the Corporations Act.

In addition, clause 62.3 of the Constitution provides that, except in circumstances prohibited by the Corporations Act, the Company may pay a premium for a contract insuring a person who is or has been an executive director against liability incurred by the person as a director.

The Company wishes to enter into new or replacement deeds of indemnity, insurance and access (each a **Deed**) with each Director to formalise these arrangements.

Resolution 9 is an ordinary resolution.

The Company's Chairman, Mr Fitzgerald is considered to hold a Managerial or Executive Office and, as it is proposed that Mr Fitzgerald will enter into a Deed, he will receive the benefits described below. Accordingly, under the Corporations Act, he is prohibited from voting any undirected proxy appointment on Resolution 9. **Accordingly, if you appoint the Chairman of the Meeting as your proxy, you are therefore urged to indicate on the Proxy Form how he should cast your vote on Resolution 9.**

## **8.2 Corporations Act approval**

### *Sections 200B and 200E*

In general terms, in accordance with section 200B of the Corporations Act, for the Company to give a benefit in connection with a person's retirement from an office where the office or position is a Managerial or Executive Office, it must obtain Shareholder approval in the manner set out in section 200E of the Corporations Act.

Section 200B applies where the benefit is given to a person whose details are included in the Director's Report for the previous financial year. Mr Wu and Mr Fitzgerald's details were included in the 2014 Director's Report. While Mr Yeates and Mr James were appointed following the publication of the Director's Report for the previous financial year, it is acknowledged by the Company that they hold a Managerial or Executive Office.

The Directors consider that as the:

- (a) proposed payment of insurance premiums;
- (b) benefit of the indemnity in relation to liabilities incurred during the period a Director holds Office; and
- (c) Director's access to Company records,

continue for a period of up to 7 years after a Director ceases to hold Office, each may be viewed as the provision of a benefit given "in connection with" the retirement for the purposes of section 200B of the Corporations Act.

## *Chapter 2E*

In accordance with section 208 of the Corporations Act, for the Company to give a financial benefit to a related party, it must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

The Directors are related parties of the Company.

The provision of insurance and indemnity to Directors may involve the provision of a financial benefit to related parties of the Company within the prohibition in Chapter 2E of the Corporations Act. The Directors consider that, although the payment of insurance premiums and the provision of indemnities by the Company are "reasonable in the circumstances" of the Company and therefore are exceptions from the prohibition in Chapter 2E of the Corporations Act, consideration of the reasonable nature of the provision of any indemnity or insurance is an appropriate matter for the Shareholders of the Company, because the Directors have a potentially material personal interest in the outcome of Resolution 9.

The financial benefits which may be given to each Director are payments to or for the benefit of a director under the provisions of the Deed, as outlined below. Apart from the likely premiums for directors' and officers' liability insurance, it is not possible to quantify these benefits because the benefits will only be paid if uncertain future events occur.

### *Section 195*

Sections 191 and 195 of the Corporations Act generally prevent the directors from deciding a matter in which they all have a material personal interest. However, there are exceptions for interests relating to contracts which insure directors against liability incurred as an officer, and for interests which relate to any payment by the Company for an indemnity permitted by the Corporations Act or any contract relating to such an indemnity.

In case there is some provision in the Deed which is not covered by one of the exceptions in section 191(2) of the Corporations Act, directors seek approval of shareholders under section 195(4) of the Corporations Act for each Director to enter into a Deed with the Company.

## **8.3 Summary of the Deed**

Set out below is a summary of the material terms of the Deed, which the Company proposes to enter into with each Director.

### **Insurance Premiums**

It is possible for a director to obtain insurance for certain breaches of duties by the director subject to limits imposed by the Corporations Act. The Company is not permitted to pay insurance premiums for insurance which insures a director against liability arising out of conduct involving wilful breach of duty (ie intentional and not accidental) or breach of sections 182 (not to improperly use the director's position to gain an advantage for themselves or someone else, or cause detriment to the Company) or section 183 (improper use of information by a director acquired in that role, to gain an advantage for themselves or someone else, or cause detriment to the Company). The Company can pay insurance premiums for other breaches of duty by a director.

A director can pay insurance premiums for insurance against liability involving wilful breach of duty or breach of sections 182 or 183, if the director can find it. Usually, for example, wilful breach of duty is excluded from insurance policies.

The Deed facilitates the Company's payment of insurance premiums insuring a director for breaches where it is permitted by law to do so.

## **Indemnity**

If a director is found liable to pay compensation to the Company for the director's breach of duties to the Company, the ability of the director to call on an indemnity would have the result that the director does not actually pay any money to the Company as damages or compensation for his breach of duty. In order to prevent this situation arising, section 199A of the Corporations Act steps in and prohibits certain indemnities being given by the Company to a director, where the indemnity has the effect that:

- (a) the director is exempt from liability to the Company, or
- (b) the Company must pay for any liability of the director to the Company arising out of breach of a civil or criminal penalty provision under the Corporations Act, or
- (c) the director is exempt from liability to someone other than the Company or a related body corporate and the liability did not arise out of conduct in good faith.

This applies to directors, auditors, receivers, liquidators and administrators equally. Two situations where the Company is allowed to indemnify a director are as follows:

- (a) Where a director successfully defends civil or criminal breach proceedings, the Company is allowed to indemnify the director for his costs and expenses incurred in the court action.
- (c) Where a director is liable to a party other than the Company or a related body corporate but acted in good faith. For example, a director is driving on company a business trip and injures a person. The Company can indemnify the director for the extent to which the director is held liable for that injury (provided the director acted in good faith).

The Deed provides these indemnities.

## **Access to Documents – During and After Office**

It is essential to a director to have access to Company documents and particularly so if the director is the subject of legal proceedings arising out of his Office.

While in Office a Director is entitled to access financial record documents (which the Company needs to keep for 7 years after completion of transactions) under section 290, at all reasonable times, in hard and soft copies. In addition, at common law a director in office is also entitled to access company information (broader than just financial records), unless it is proved that the director is about to act in breach of a director's duty and that the inspection of the information will assist the breach of duty.

In addition, section 198F of the Corporations Act gives directors:

- (a) a right to inspect the books of the Company (other than its financial records) in relation to legal proceedings while a director; and
- (b) a right to inspect the books of the Company (including its financial records) in relation to legal proceedings for 7 years following the end of the directorship, where the director is a party to the legal proceedings or has reason to believe will be brought against him or that he proposes in good faith, to bring.

The Deed reflects these rights.

A copy of the Deed will be made available to any member on request to the Company Secretary at the registered office of the Company.

## 8.4 Director Recommendation

Each of the Directors has an interest in Resolution 9 and therefore the Board does not make any recommendation in respect of this Resolution.

---

## 9. Resolution 10 – Approval of Potential Termination Benefit Provisions for Mr Anthony James

### 9.1 General

As announced on 23 February 2015, the Company entered into an executive employment contract with Mr Anthony James (**Executive**) in respect of his engagement as Managing Director of the Company (**Executive Employment Contract**).

Resolutions 10 seeks approval from Shareholders under sections 200B and Chapter 2E 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 Employment Contract and the Performance Rights Plan if his employment with the Company is terminated.

Resolution 10 is an ordinary resolution.

The Chairman intends to vote all undirected proxies in favour of Resolution 10.

If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 10, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

### 9.2 Corporations Act approval

#### *Sections 200B and 200E*

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.

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:

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

#### *Termination payments under Executive Employment Contract*

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

- 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
- the payment 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
- the payment 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:

- 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.
- 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.

Mr James' potential payments and other benefits under the Executive Employment Contract are summarised in paragraph 9.5 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 Employment Contract in case those benefits do not technically fall within one of the statutory exemptions under the Corporations Act (eg 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), the Company is the subject of the Auctus Offer and the Board believes there is a possibility that Auctus may increase its offer price, or a competing bidder may emerge.

If Shareholder approval is given the value of any payments under the Executive Employment Contract 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.

#### *Termination benefits under Performance Rights Plan*

As outlined in the summary of the Performance Rights Plan in paragraph 6.6, the Board has the discretion to determine that, upon a security holder ceasing to be an eligible participant, that 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 the Executive do not count towards the maximum termination benefits payable without Shareholder approval.

Shareholder approval of Resolution 10 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:

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

### 9.3 ASX Listing Rule approval

#### *ASX Listing Rule 10.19*

Shareholder approval is also being sought for the purposes of ASX Listing Rule 10.19. ASX Listing Rule 10.19 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 10 (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.

### 9.4 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 up to the maximum superannuation base case;
- (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; and
- (c) **Long-Term Incentives:** eligibility for such discretionary long term incentives as may be determined by the Company. It is proposed under Resolution 7 to grant Mr James 7,200,000 Performance Rights under the Performance Rights Plan.

### 9.5 Termination Provisions

The Executive Employment Contract contains termination provisions to the following effect:



(a) **Resignation by the Executive**

The Executive may resign:

- (i) at any time during the first 6 months of the term by giving the Company 3 months, or such other period as may be mutually agreed between the parties in writing, notice of termination in writing;
- (ii) immediately by written notice to the Company if the Company commits a material breach, non-observance or non-performance of any of the terms and conditions of the Executive Employment Contract and fails to rectify such material breach, non-observance or non-performance within 14 days of the receipt of written notice from the Executive specifying the details of the default; and
- (iii) by giving 2 weeks' written notice at any time during the 3 month period following the occurrence of a material diminution in respect of his position, including authority, duties, status, responsibilities, reporting relationship with the Board, the position location or salary and/or benefits.

(b) **Termination by the Company**

- (i) The Company may terminate the Executive Employment Contract:
  - (A) at any time during the pre-production period by giving the Executive 6 months' written notice;
  - (B) at any time during the production period by giving the Executive 12 months' written notice;
  - (C) summarily in certain circumstances, including where the Executive is prohibited by law from acting as a director, in the case of serious misconduct or where the Executive becomes bankrupt; and
  - (D) at any time by giving the Executive 6 month's written notice if the Executive 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 periods totalling more than 3 months in any 12 month period.

(c) **Proposed Termination Payment Provisions**

- (i) In circumstances where the Executive resigns as a result of a material diminution in the position, the resignation is deemed to be a termination by the Company and in those circumstances the Executive will be entitled to payment in lieu of 12 months' notice, payment of statutory entitlements, payment of outstanding business expenses and to be considered for short term incentives and long term incentives on a pro-rata basis for the performance year during which the employment has been terminated.
- (ii) In circumstances where the Company terminates the Executive Employment Contract during the pre-production period the Company must provide the Executive with:
  - (A) payment in lieu of 6 months' notice; or

- (B) a combination of 6 months' notice and payment in lieu of notice.
- (iii) In circumstances where the Company terminates the Executive Employment Contract during the production period the Company must provide the Executive with:
- (A) payment in lieu of 12 months' notice; or
- (B) a combination of 12 months' notice and payment in lieu of notice.
- (iv) If a termination of the Executive Employment Contract by the Company during the pre-production period or production period is caused by a material diminution in the position, the Board will in good faith consider providing the Executive with payment in lieu of up to 12 months' notice.
- (v) Where the Company terminates the Executive Employment Contract due to the Executive becoming sick or incapacitated, the Company must give the Executive 6 months' written notice or 6 months' payment in lieu of notice, his statutory entitlements and outstanding business expenses.

Set out in the table below are the potential payments and other benefits that could arise under the Executive Employment Contract and the Performance Rights Plan in various different termination scenarios. As noted above, Resolution 10 seeks approval for the giving of benefits in connection with the termination of Mr James' employment. Please note as follows:

- Any payment in lieu of notice under the Executive Employment Contract 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.
- 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 Employment Contract *would not be* considered benefits in connection with the termination of Mr James' employment.

Termination Event	Termination Payment (excluding statutory entitlements and business expenses)	Short-Term Incentives	Long-Term Incentives
Resignation by the Executive during the first 6 months of the term	No entitlement	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  <i>N.B. No entitlement to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i>	In respect of any existing Performance Rights held at the time of termination, the Performance Rights Plan provides that the Board has the discretion to determine that, upon a security holder ceasing to be an eligible participant, that some or all of the Performance Rights will not automatically lapse.  <i>N.B. No entitlement to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i>

Termination Event	Termination Payment (excluding statutory entitlements and business expenses)	Short-Term Incentives	Long-Term Incentives
Resignation by the Executive following a material diminution in the position	Payment in lieu of 12 months' notice	<p>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</p> <p><i>N.B. The Executive has a right under the Executive Employment Contract to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>	<p>See summary in row 1 in respect of the Board's discretion under the Performance Rights Plan, which will apply to any existing Performance Rights held at the time of termination.</p> <p><i>N.B. The Executive has a right under the Executive Employment Contract to be considered for a long term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>
Termination by the Company at any time during the pre-production period	<p>Payment in lieu of 6 months' notice or a combination of 6 months' notice and payment in lieu of notice</p> <p><i>N.B. Where termination is caused by a material diminution in the position, the Board will in good faith consider providing the Executive with payment in lieu of up to 12 months' notice.</i></p>	<p>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</p> <p><i>N.B. The Executive has a right under the Executive Employment Contract to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>	<p>See summary in row 1 in respect of the Board's discretion under the Performance Rights Plan, which will apply to any existing Performance Rights held at the time of termination.</p> <p><i>N.B. The Executive has a right under the Executive Employment Contract to be considered for a long term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>
Termination by the Company at any time during the production period	<p>Payment in lieu of 12 months' notice or a combination of 12 months' notice and payment in lieu of notice</p> <p><i>N.B. Where termination is caused by a material diminution in the position, the Board will in good faith consider providing the Executive with payment in lieu of up to 12 months' notice.</i></p>	<p>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</p> <p><i>N.B. The Executive has a right under the Executive Employment Contract to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>	<p>See summary in row 1 in respect of the Board's discretion under the Performance Rights Plan, which will apply to any existing Performance Rights held at the time of termination.</p> <p><i>N.B. The Executive has a right under the Executive Employment Contract to be considered for a long term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>

Termination Event	Termination Payment (excluding statutory entitlements and business expenses)	Short-Term Incentives	Long-Term Incentives
Summary Termination by the Company	No entitlement	<p>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</p> <p><i>N.B. No entitlement to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>	<p>See summary in row 1 in respect of the Board's discretion under the Performance Rights Plan, which will apply to any existing Performance Rights held at the time of termination.</p> <p><i>N.B. No entitlement to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>
Termination by the Company due to sickness or incapacity of the Executive	6 months' written notice or 6 months' payment in lieu of notice	<p>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</p> <p><i>N.B. No entitlement to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>	<p>See summary in row 1 in respect of the Board's discretion under the Performance Rights Plan, which will apply to any existing Performance Rights held at the time of termination.</p> <p>In addition, under the Performance Rights Plan, upon (among other things) total and permanent disability, the Executive's unvested Performance Rights would not automatically lapse.</p> <p><i>N.B. No entitlement to be considered for a short term incentive on a pro-rata basis for the performance year in which the employment is terminated.</i></p>

## 9.6 Director Recommendation

Other than Mr Anthony James, who has a material personal interest in the outcome of Resolution 10, the Directors recommend that Shareholders vote in favour of Resolution 10.

## Schedule 1 - Definitions

---

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

**\$** means Australian Dollars.

**Announcement Date** means 29 April 2015.

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

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

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

**Auctus** means Auctus Chillagoe Pty Ltd ACN 605 055 285.

**Auctus Offer** means the unsolicited off-market takeover offer by Auctus for all the Shares on the terms and conditions set out in the Bidder's Statement.

**Bidder's Statement** means the document issued by Auctus in connection with the Auctus Offer under Part 6.5 of the Corporations Act dated 29 April 2015.

**Board** means the board of Directors of the Company.

**Chairman** means the person appointed to chair the Meeting convened by the Notice.

**Chillagoe Project** means the exploration and pre-development project located in the Chillagoe region in North Queensland.

**Closely Related Party** means in relation to a member of a Key Management Personnel:

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

**Commitment Letter** means the letter pursuant to which a placee applies for a set number of Placement Shares at an issue price of \$0.14 per Share, subject to Resolution 1 being passed.

**Condition** means a condition of the Auctus Offer set out in section 8.9 of the Bidder's Statement.

**Company** means Mungana Goldmines Ltd ACN 136 606 338.

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

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

**Denham Capital** means Denham Capital Management LP.

**Denham Funds** means Denham Commodity Partners Fund VI LP and Denham Commodity Partners Fund VI-A LP.

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

**Equity Securities** has the meaning given in the ASX Listing Rules (and includes Shares).

**Executive** has the meaning given to that term in paragraph 9.1.

**Executive Employment Contract** has the meaning given to that term in paragraph 9.1.

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

**First Production** means the date when commercial mining operations commence (which shall exclude the extraction of all ores, concentrates or other primary, intermediate or final product extracted from the relevant tenements for testing purposes, including bulk samples, assays, geochemical analyses, amenability to milling, leaching and recovering determinations, and pilot plant tests).

**General Meeting** or **Meeting** means the general meeting of the Company notified to Shareholders by this Notice.

**Independent Expert** means Grant Thornton Corporate Finance Pty Ltd.

**Independent Expert's Report** means the report produced by the Independent Expert set out in Annexure A of the Target's Statement dated 27 May 2015.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**King Vol Zinc Project** means the development of the mining project in respect of the King Vol deposit.

**KPI** means a key performance indicator.

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

**Managing Director** means the managing director of the Company.

**Notice** or **Notice of Meeting** means the notice of the General Meeting and includes the agenda, Explanatory Memorandum and the Proxy Form.

**Offer Period** means the period during which the Auctus Offer will remain open for acceptance which began on 13 May 2015 and will conclude at 7.00 pm (Sydney time) on 13 July 2015 (unless extended or withdrawn).

**Office** means office as a Director.

**Performance Right** means a performance right granted under the Performance Rights Plan.

**Performance Rights Plan** means the Company's Performance Rights Plan, the terms of which are summarised in paragraph 6.6, which is the subject of Resolution 6.

**Placement** means the issue of the Placement Shares for \$0.14 per Share to certain placees to raise up to \$5,059,040.

**Placement Shares** means up to 36,136,000 Shares to be issued as soon as practicable after the date of the General Meeting the subject of Resolution 1.

**Principal Tenements** means, collectively:

- (a) ML 20640 (Mungana West);
- (b) MLA 20658 (King Vol);
- (c) ML 4928 (Griffiths 1);
- (d) ML 4977 (Griffiths 2);
- (e) ML 5176 (Red Dome);
- (f) ML 5319 (North West Mungana); and

(g) any rights or entitlements issued in substitution of any of the above.

**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.

**Resolution** means a resolution proposed pursuant to the Notice.

**Schedule** means a schedule to this Explanatory Memorandum.

**Security Interest** means has the meaning given to that term in section 12 of the Personal Property Securities Act 2009 (Cth).

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

**Shareholder** means a registered holder of a Share.

**Target's Statement** means the statement issued by the Company (including its annexures) dated 28 May 2015 in connection with the Auctus Offer under Part 6.5, Division 3 of the Corporations Act.

**TSR** has the meaning given in paragraph 6.7.

**VWAP** means volume weighted average price.

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