
PADANG RESOURCES LIMITED

ACN 106 240 475

NOTICE OF GENERAL MEETING

**A General Meeting of the Company will be held at Suite 2, 16
Ord Street, West Perth, Western Australia on 10th August,
2012 at 10.00am (WST)**

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

Should you wish to discuss any matter please contact the Company Secretary on (08) 9429 2900.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the general meeting of Shareholders of Padang Resources Limited to which this Notice of Meeting relates will be held at Suite 2, 16 Ord Street, West Perth, Western Australia on 10th August, 2012 at 10.00am (WST).

YOUR VOTE IS IMPORTANT

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

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at 10.00am (WST) on 8th August, 2012.

VOTING IN PERSON

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

VOTING BY PROXY

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

The accompanying Explanatory Statement and the Proxy and voting instructions form part of this Notice of Meeting.

Dated 06 July, 2012
By Order of the Board

Mr Roland Berzins

Company Secretary

PADANG RESOURCES LIMITED

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NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Padang Resources Limited (**Company**) will be held at Suite 2, 16 Ord St West Perth, Western Australia on Friday 10th August, 2012 at 10.00am (WST) (**Meeting**).

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

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on 8th August, 2012 at 10.00am (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in the 'Definitions' section of the Explanatory Memorandum.

AGENDA

1. Resolution 1 – Change to Scale of Activities

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

“That, subject to Resolution 2 being passed, pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, the Company be authorised to make a significant change in the scale of its activities on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who (and any associates of such a person) who may participate in the issue of the Vendor Shares and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

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

2. Resolution 2 – Approval of Acquisition of Paser Pte Ltd

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

"That, subject to Resolution 1 being passed:

- (a) Shareholders approve the acquisition by the Company of 70% of the issued share capital of Paser Pte Ltd; and*
- (b) pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of 125,000,000 Shares (**Vendor Shares**) to the Paser Vendors (or their nominees),*

on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who (and any associates of such a person) may participate in the issue of the Vendor Shares and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

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

3. Resolution 3 – Approval of Issue of Shares to Alpha Securities

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

"That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of 1,516,899 Shares (each at a deemed issue price of A\$0.016) to Alpha Securities Pty Ltd on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Alpha Securities Pty Ltd (and any of its associates) and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

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

4. Resolution 4 – Ratification of Prior Placement

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

*“That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 41,817,339 Shares each at an issue price of A\$0.032 (**Prior Placement Shares**) to investors who have been identified by the Company as falling within one or more of the classes of exemptions specified in section 708 of the Corporations Act on the terms and conditions in the Explanatory Memorandum.”*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who have participated in the issue of the Prior Placement Shares and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

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

5. Resolution 5 – Ratification of Issue of Consultant Shares

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

“That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 3,403,363 Shares as follows:

(a) 816,993 Shares (each at a deemed issue price of A\$0.0306);

(b) 962,994 Shares (each at a deemed issue price of A\$0.0312); and

(c) 1,623,376 Shares (each at a deemed issue price of A\$0.0308),

*(together the '**Consultant Shares**') on the terms and conditions in the Explanatory Memorandum.”*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who participated in the issue of the Consultant Shares and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

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

BY ORDER OF THE BOARD

Roland Berzins
Company Secretary
Dated: 06 July, 2012

Padang Resources Limited

ACN 106 240 475

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 2, 16 Ord St, West Perth, Western Australia on Friday 10th August, 2012 at 10.00am (WST)

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

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

1. Action to be taken by Shareholders

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

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

2. Summary of the Acquisition

2.1 Acquisition of Paser Pte Ltd

On 16 April 2012, the Company announced that it had executed a binding heads of agreement (**HOA**) with the shareholders of Paser Pte Ltd (collectively known as the "**Paser Vendors**", being those parties detailed in Schedule 1) whereby it agreed to acquire 70% of the issued share capital of Paser Pte Ltd (**Paser Acquisition**).

Paser Pte Ltd (**Paser**), a company incorporated in Singapore, has entered into a conditional and binding memorandum of understanding with PT Gunung Mentari Mining (**PT GMM**), a company incorporated in Indonesia, which was amended by a deed of variation dated 4 April 2012 (together the **MOU**). Pursuant to the MOU, Paser has been granted the exclusive right to undertake mining, and assume ownership of all products derived from such mining, in respect to a coal project in East Kalimantan, Indonesia (**Paser Project**). This exclusive right was acquired by Paser upon payment by Paser of Rp 530,000,000 (approximately A\$53,000 based on the exchange rates of Rp1=A\$0.0001 is utilised, being the exchange rates prevailing as at 6 July 2012 (being the date of the Notice) to PT GMM required by the MOU (refer to Section 2.2(d)(i) below). This payment was funded by the Company via a loan to Paser (and accordingly is included in the costs of the Paser Acquisition payable by the Company – refer to Section 2.8 below).

In the Notice and this Explanatory Memorandum the exchange rates of Rp1=A\$0.0001 is utilised, being the exchange rates prevailing as at 6 July 2012 (being the date of the Notice).

2.2 Overview of Paser Project

The Paser Project is comprised of a 43 hectare production licence (**Izin Ushua Pertambangan Produksi** or **IUP**) which has all requisite environmental and mining approvals in place. Refer to Schedule 3 for details of the location, geology and exploration potential and previous exploration activities in relation to the Paser Project.

The terms of the MOU are as follows:

- (a) Paser shall fund all capital and operational commitments and expenses in respect to the Paser Project;
- (b) A royalty shall be paid by Paser to PT GMM as follows:
 - (i) US\$12 per metric tonne for sales, if coal from the Paser Project is sold at a price equal to, or above, US\$85/tonne (for average calorific of 6,100-6,300 kcal/kg);
 - (ii) US\$10 per metric tonne for sales, if the sale price is below US\$85 per tonne and above US\$70 per tonne; and
 - (iii) if the sale price is below US\$70 per tonne for three consecutive months, the royalty will be cancelled and Paser and PT GMM shall revert to a profit sharing arrangement on an 80%/20% basis (respectively).
- (c) Paser shall cover all other fees/contributions in respect to the Paser Project, including but not limited to, land owner fees, hauling road fee, local government fee, community development fee, certificate of origin fee, estimated at Rp60,000/tonne (sixty thousand rupiah per tonne).
- (d) Paser shall pay to PT GMM a total of Rp6 billion (approximately A\$600,000) by way of a loan which will be repaid by PT GMM out of first profit distributions from production that PT GMM would otherwise have been entitled to by way of royalty or profit sharing. The A\$600,000 is required to be paid by Paser to PT GMM as follows:
 - (i) Rp 530,000,000 (approximately A\$53,000) prior to commencing due diligence;
 - (ii) Rp1,470,000,000 (approximately A\$147,000) on completion of satisfactory due diligence as determined by the Company;
 - (iii) Rp2,000,000,000 (approximately A\$200,000) on commencement of mining operations in respect to the Paser Project; and
 - (iv) Rp2,000,000,000 (approximately A\$200,000) on first shipment of coal from the Paser Project.
- (e) Paser to recoup the A\$600,000 loan to PT GMM from the royalty payments payable by Paser to PT GMM;
- (f) Paser must initiate a boring program as soon as practicably possible after the completion of the due diligence, with the intention of drilling at least 10 holes averaging 60 metres each, unless otherwise agreed between both Paser and PT GMM, but at least 600 metres of boring to catch up 8 coal seams.
- (g) Paser must begin mining and initiate first mining of coal by no later than 15 February 2013, unless prevented from doing so by events outside the control of Paser (eg normal force majeure events);
- (h) If Paser cannot present a valid reason to PT GMM for not beginning production by 15 February 2013 Paser will be given 3 month extension to begin production;
- (i) If Paser has not begun production after the 3 month extension provided by PT GMM as referred to in Section 2.2(h) above, PT GMM may:
 - (i) grant Paser a further 6 months extension and Paser will be charged a fee of US\$120,000/month for up to 6 months, or until production begins; or
 - (ii) terminate the MOU.
- (j) In the event that the MOU is terminated by PT GMM, any monies paid by Paser to PT GMM referred to in Section 2.2(d) will be forgiven by Paser.

Under the terms of the HOA, the Company has agreed to fund all of the cash commitments of Paser in respect to the Paser Project (with the Paser Vendors (being the holders of 30% of the issued capital of Paser) to be free carried).

The Company has extended a loan to Paser of A\$200,000 to enable Paser to satisfy the payment required under Sections 2.2(d)(i) and 2.2(d)(ii) above.

2.3 Existing Operations of the Company

The Company's currently has:

- (a) two granted exploration licences located northwest of Alice Springs in the Northern Territory (each of which are prospective for gold and uranium). In addition the Company has applications lodged for additional exploration licences.

The two granted licences lie within an area of pastoral leasehold and therefore access to them is relatively straightforward. The four applications for exploration licences overlie land which is subject to Native Title interests and as a result, a grant of exploration licences in respect to the applications is unlikely in the near term. The Company has been scheduled to meet with parties associated with the Native Title claimants but due to circumstances beyond the control of the Company, these discussions have been delayed to a date to be determined; and

- (b) a joint venture arrangement with Excalibur Mining Corporation Ltd in respect to prospective gold and uranium exploration activities at the Tanami Tenements in Northern Territory. In May 2010 the Company commenced an RAB Program at the Tanami Tenements. The in-field program has been completed and a total of 267 holes for 8,760 metres have been undertaken on 9 targets which had been identified from previous airborne geophysics as having potential for unconformity style gold and uranium mineralisation. The analytical data associated with the drilling results are not currently available,

(together the **Existing Projects**).

2.4 Material terms of the Paser Acquisition

The material terms of the HOA are as follows:

- (a) Consideration

The consideration payable by the Company for the Paser Acquisition consists of:

- (i) the issue of 125,000,000 Vendor Shares to be distributed on a pro rata basis amongst the Paser Vendors (none of whom are related parties of the Company); and
- (ii) the payment of US\$350,000 to the Paser Vendors (as a reimbursement to the Paser Vendors for the actual costs incurred in developing the Paser Project).

The Company will also pay the Paser Vendors a royalty of US\$12/tonne from production of the Paser Project (up to a total amount of A\$600,000).

Note also that the Company has extended a loan to Paser of A\$200,000 to enable Paser to satisfy the payment required under clauses 2.2(d)(i) and 2.2(d)(ii) above as part of its consideration for the Paser Acquisition.

- (b) Conditions Precedent

The obligation of the Company and the Paser Vendors to complete the Paser Acquisition is subject to the satisfaction of the following conditions precedent:

- (i) the Company completing due diligence investigations on Paser's business operations (including the Paser Project) and being satisfied with the outcome of such investigations (in its the absolute discretion);
- (ii) the Company obtaining all necessary regulatory and shareholder approvals required to complete the Paser Acquisition;
- (iii) Paser executing a formal joint venture agreement to replace the memorandum of understanding with PT GMM; and
- (iv) the Company and the Paser Vendors executing a formal share sale agreement to replace the HOA that has already been entered into between the Company and Paser.

The conditions in Section 2.4(b)(i) above have been satisfied.

2.5 Rationale of the Paser Acquisition

The Paser Acquisition augments the current operations of the Company, is complementary to the Company's existing business of acquiring and developing opportunities in Australia and overseas and is consistent with the Company's objectives to consider new investment opportunities to improve shareholder value.

The rationale for the Paser Acquisition includes:

- (a) the amelioration of risks of operating in one country;
- (b) the Paser Project is advanced and drill ready with strong exploration targets;
- (c) the Paser Project is close to existing infrastructure providing a low cost of exploration and mining;
- (d) experienced management and technical team are dedicated to development of the Paser Project.

Following the Paser Acquisition, the Company will continue to be in the business of exploring and developing gold and uranium properties through the Existing Projects and have new exploration opportunities in Indonesia.

The Company still currently intends to progress development of the Existing Projects by utilising its current funds.

2.6 Impact of the Paser Acquisition on the Company's capital structure

At the date of this Notice, there are currently 346,691,669 Shares on issue. Assuming the Resolutions 1 to 3 (inclusive) are passed, the pro forma capital structure of the Company, upon completion of the Paser Acquisition is as follows:

Shares	Number
Current Shares on issue	346,691,669
Shares to be issued to the Paser Vendors (Resolution 2)	125,000,000
Shares to be issued to Alpha Securities (Resolution 3)	1,516,899
Total	473,208,568

2.7 Pro-forma Statement of Financial Position of the Company

Refer to Schedule 2 for a pro-forma balance sheet of the Company following the Paser Acquisition.

2.8 Use of funds and budget

The Company's current cash position is approximately A\$1,393,000. It is proposed that the current cash will be used as follows:

Item	Amount A\$
Reimbursement of costs to the Paser Vendors referred to to paragraph 2.4(a)(ii) above	350,000
Loan to Paser to enable Paser to make payments to PT GMM referred to paragraphs 2.2(d)(iii) and 2.2(d)(iv) above	400,000
Resource definition, mine planning and working capital required to bring the Paser Project into production	300,000
Expenditure on the Existing Projects	125,000
Working Capital	218,000
TOTAL	1,393,000

The above table is a statement of current intentions as at the date of the Notice. Intervening events may alter the way funds are ultimately applied by the Company

2.9 Risk factors

Shareholders should be aware that the Company will be subject to a number of risks if the Paser Acquisition is completed.

If the Paser Acquisition is completed, some of the material risk factors include:

- (a) **(exploration and development)**: by its nature, the exploration and development of a resource project is a high risk undertaking with no assurance of the economic exploitation of mineral resources;
- (b) **(resource exploration)**: resource estimations are expressions of judgment which are imprecise;
- (c) **(commodity price volatility)**: an adverse fall in the prices of commodities including gold or copper may adversely affect the development of the Paser Project;
- (d) **(operating risks in Indonesia)**: changes to Indonesia's minerals exploration and development or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability;
- (e) **(environmental risks)**: the Company will be subject to environmental laws and regulations in connection with operations it may pursue in the mining industry, which operations are currently in Indonesia. Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities;
- (f) **(general economic and political risks)**: changes in the general economic and political climate in Indonesia, Australia and on a global basis could impact on economic growth, minerals prices, interest rate and the taxation and tariff laws which may affect the value and viability of any mineral mining activity that may be conducted by the Company;
- (g) **(funding)**: the successful realisation of the Company's plans will be dependent upon obtaining financing for any additional projects that the Company may wish to invest in;
- (h) **(Contractual risks)**: pursuant to the HOA the Company is required to fund all of the cash commitments of Paser in respect to the Paser Project and is subject to other obligations. Failure to fund the cash commitments or meet the other obligations may result a breach of the HOA and ultimately the termination of the HOA; and
- (i) **(Reliance on key personnel)**: The Company is reliant on a number of key employees, including the Directors of the Company. The loss of one or more of its key personnel could have an adverse impact on the business of the Company.

2.10 Directors' Recommendations

The Directors consider that the Paser Acquisition represents an opportunity for the Company to develop an advanced coal project in a favourable environment within a relatively short time frame.

For the above reasons, the Directors consider that the Paser Acquisition the subject of the Resolutions 1 and 2 are in the best interests of the Company and recommend that Shareholders vote in favour of Resolutions 1 and 2. The current Directors have agreed to put Resolutions 1 and 2 to Shareholders and have approved the information contained in this Explanatory Memorandum.

Each of the current Directors intends to vote their Shares in favour of Resolutions 1 and 2

2.11 Forward looking statements

The forward looking statements in this Notice are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Directors that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Notice of Meeting. These risks include but are not limited to, the risks outlined in Section 2.9. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

3. Resolution 1 – Change to Scale of Activities

3.1 Background

Resolution 1 seeks approval from Shareholders for a change to the scale of the activities of the Company.

As detailed in Section 2.1, subject to obtaining the requisite Shareholder approvals, the Company intends to complete the Paser Acquisition.

Resolution 1 is an ordinary resolution and is subject to the approval of Resolution 2.

3.2 Listing Rule 11.1 Requirements

Chapter 11 of the Listing Rules requires Shareholders to approve any significant change in the nature or scale of a company's activities. The completion of the Paser Acquisition will have the effect of increasing the scale of the Company's activities.

Resolution 1 seeks Shareholder approval to allow the Company to complete the Paser Acquisition thereby increasing the scale of its activities (not its nature).

Where a Company seeks to change the scale of its activities, it must:

- (a) under Listing Rule 11.1.1, notify ASX of the proposed change;
- (b) under Listing Rule 11.1.2, obtain shareholder approval to undertake the change; and
- (c) under Listing Rule 11.1.3, meet the requirements of chapters 1 and 2 of the Listing Rules as if the Company was applying for admission to the official list of ASX, if required by ASX. The ASX has confirmed that the Company does not need to re-comply with the requirements of chapters 1 and 2 of the Listing Rules.

ASX has confirmed that the Company is required to obtain Shareholder approval to undertake the change in scale of its activities arising from the Paser Acquisition and that Listing Rule 11.1.3 does not apply in the present circumstances.

The Paser Acquisition is conditional on the satisfaction of the events listed in Section 2.4(b) and, even if Resolutions 1 and 2 are approved, the Paser Acquisition may still not proceed. Refer to Sections 2.4, 2.6, 2.7 and 2.9 for further information on the Paser, the Paser Project and the likely affect of the Paser Acquisition will have on the Company.

A voting exclusion statement is included in the Notice.

4. Resolution 2 – Approval of Acquisition of Paser Pte Ltd

4.1 General

Resolution 2 seeks Shareholder approval for the:

- (a) Paser Acquisition; and
- (b) the issue of the Vendor Shares to the Paser Vendors (or their nominees) in the proportions set out in Schedule 1.

The Vendor Shares shall be voluntarily escrowed for a period of 12 months from the date of issue.

Resolution 2 is an ordinary resolution and is subject to the approval of Resolutions 1.

4.2 Listing Rule 7.1

Listing Rule 7.1 requires Shareholder approval for the issue of the Vendor Shares. Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

The issue of the Vendor Shares represents more than 15% of the Company's securities on issue for the purposes of Listing Rule 7.1. The Company is seeking Shareholder approval of the issue of the Vendor Shares so that the Company does not exceed its 15% capacity under Listing Rule 7.1. Accordingly, Shareholder approval is sought in accordance with Listing Rule 7.3.

4.3 Specific information required by Listing Rule 7.3

For the purposes of the Shareholder approval of the issue of the Vendor Shares and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) The maximum number of Shares to be issued to the Paser Vendors (or their nominees) is 125,000,000 Shares.
- (b) The Company will issue the Vendors Shares no later than 3 months after the date of the Meeting (or such longer period of time as permitted by an ASX waiver or modification of the Listing Rules).
- (c) The Vendor Shares will be issued for nil cash consideration to the Paser Vendors (or their nominees) as they are being issued in consideration for the Paser Acquisition.

- (d) The Vendor Shares will be issued to the Paser Vendors (or their nominees), who are not related parties or associates of related parties of the Company, in the proportions detailed in Schedule 1.
- (e) The Vendor Shares issued will be fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue.
- (f) No funds will be raised from the issue of the Vendor Shares.
- (g) All of the Vendor Shares will be allotted on the same date.
- (h) A voting exclusion statement is included in the Notice.

4.4 Interests and recommendations of Directors

The existing Directors do not have an interest in Resolution 2. For the reasons outlined in Sections 2.5 and 2.10, the Directors therefore recommend that Shareholders vote in favour of Resolution 2.

5. Resolution 3 – Approval of Issue of Shares to Alpha Securities

5.1 General

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 1,516,899 Shares each at a deemed issue price of A\$0.01648 (1.648 cents) (based on the 5 business day VWAP of the Shares prior to 23 April 2011 being the date of execution of the applicable services agreement between the Company and Alpha Securities). to Alpha Securities (or its nominees) as consideration for the provision of the corporate advisory and marketing services to the Company.

Resolution 3 is an ordinary resolution.

5.2 Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

Given the issue of the Shares to Alpha Securities under Resolution 3 will exceed this 15% threshold and none of the exceptions in Listing Rule 7.2 apply, Shareholder approval is required in accordance with Listing Rule 7.1.

The effect of Resolution 3 will be to allow the Directors to issue up to 1,516,899 Shares to Alpha Securities during the period of 3 months after the Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity.

Resolution 3 is an ordinary resolution.

5.3 Specific information required by Listing Rule 7.3

For the purposes of the Shareholder approval of the issue of Shares to Alpha Securities and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) The maximum number of Shares to be issued pursuant to Resolution 3 is 1,516,899 Shares.
- (b) The 1,516,899 Shares to be issued pursuant to Resolution 3 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (c) The 1,516,899 Shares will be issued for nil cash consideration to the Alpha Securities (or its nominees) but rather as consideration for the provision of the corporate advisory and marketing services.
- (d) The 1,516,899 Shares will be issued to Alpha Securities (or its nominees), who are not related parties or associates of related parties of the Company.
- (e) The 1,516,899 Shares will be fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue.
- (f) The 1,516,899 Shares will be issued in consideration for the corporate advisory and marketing services provided by Alpha Securities to the Company and as such no funds will be raised from the issue of the 1,516,899 Shares.
- (g) All of the 1,516,899 Shares will be allotted on the same date.

6. Resolution 4 – Ratification of Prior Placement

6.1 General

On 7 November 2011, the Company announced that it was undertaking a placement of 41,817,339 Shares at an issue price of A\$0.032 to various sophisticated and institutional investors to raise A\$1.33 million to fund the costs of the exploration and development of the Lumpo Coal Project (**Prior Placement**).

The Prior Placement Shares were issued within the Company's 15% placement capacity on 11 November 2011, without the need for Shareholder approval.

Resolution 4 seeks Shareholder approval for the ratification of the issue of the Prior Placement Shares pursuant to Listing Rule 7.4.

6.2 Listing Rule 7.4

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

The effect of Shareholders passing Resolution 4 by ratifying the issue of the Prior Placement Shares will be to restore the Company's ability to issue further securities, to the extent of 41,817,339 Shares, during the next 12 months.

Resolution 4 is an ordinary resolution.

6.3 Specific information required by Listing Rule 7.4

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

- (a) The Prior Placement Shares were issued on 11 November 2011.
- (b) The Prior Placement Shares were issued at A\$0.032 per Share.
- (c) The Prior Placement Shares are all fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue.
- (d) The Prior Placement Shares have been allotted and issued by way of placements to various sophisticated and professional investors who are not related parties or associates of related parties of the Company.
- (e) The funds raised from the Prior Placement were used to fund the due diligence expenses in relation to the Paser Acquisition and the exploration and development expenses on the Existing Projects.
- (f) A voting exclusion statement is included in the Notice.

7. Resolution 5 – Ratification of Issue of Consultant Shares

7.1 General

On 17 October 2011, the Company issued a total of 3,403,363 Consultant Shares (at various deemed issue prices) to various consultants as consideration for the professional services provided to the Company.

The Consultant Shares were issued within the Company's 15% placement capacity on 17 October 2011, without the need for Shareholder approval.

Resolution 5 seeks Shareholder approval for the ratification of the issue of the Consultant Shares pursuant to Listing Rule 7.4.

7.2 Listing Rule 7.4

A summary of Listing Rule 7.4 is set out in Section 6.2 above.

The effect of Shareholders passing Resolution 5 by ratifying the issue of the Consultant Shares will be to restore the Company's ability to issue further securities, to the extent of 3,403,363 Shares, during the next 12 months.

Resolution 5 is an ordinary resolution.

7.3 Specific information required by Listing Rule 7.4

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

- (a) The Consultant Shares were issued on 17 October 2011.
- (b) The issue prices of the Consultant Shares were as follows:
 - (i) 816,993 Consultant Shares were issued at a deemed issue price of A\$0.0306 per Consultant Share; based on the 5 business day VWAP of the Shares prior to the date of execution of the applicable consultancy agreement between the Company and Alpha Securities;
 - (ii) 962,944 Consultant Shares were issued at a deemed issue price of A\$0.0312 per Consultant Share; based on the 5 business day VWAP of the Shares prior to the date of execution of the applicable consultancy agreement between the Company and Alpha Securities;
 - (iii) 1,622,376 Consultant Shares were issued at a deemed issue price of A\$0.0308 per Consultant Share. based on the 5 business day VWAP of the Shares prior to the date of execution of the applicable consultancy agreement between the Company and Belloc Pty Ltd.
- (c) The Consultant Shares are all fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue.
- (d) The Consultant Shares were issue to various consultants of the Company in consideration for the provision of their professional services to the Company. None of the consultants are related parties of the Company.
 - (i) 816,993 Consultant Shares were issued to Alpha Securities;
 - (ii) 962,944 Consultant Shares were issued to Alpha Securities;
 - (iii) 1,622,376 Consultant Shares were issued to Belloc Pty Ltd.
- (e) No funds were raised from the issue of the Consultant Shares.
- (f) A voting exclusion statement is included in the Notice.

8. ENQUIRIES

Shareholders are requested to contact Company Secretary on (08) 9429 2900 if they have any queries in respect of the matters set out in these documents.

Definitions

In this Explanatory Memorandum and Notice:

A\$ means Australian dollars.

Alpha Securities means Alpha Securities Pty Ltd (ACN 124 327 064).

ASX means ASX Limited and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the Company's current board of Directors.

Company or **Padang** means Padang Resources Limited (ACN 106 240 475).

Constitution means the constitution of the Company.

Consultant Shares has the meaning given in Resolution 5.

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

Director means a director of the Company and **Directors** means all of them.

Existing Projects has the meaning given in Section 2.3.

Explanatory Memorandum means this explanatory memorandum accompanying the Notice.

HOA has the meaning given in Section 2.1.

IUP has the meaning given in Section 2.2.

Listing Rules means the listing rules of ASX.

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

Notice or **Notice of Meeting** or **Notice of General Meeting** means the Notice of General Meeting to which the Explanatory Memorandum is attached.

Paser means Paser Pte Ltd, a company incorporated in Singapore.

Paser Acquisition has the meaning given in Section 2.1.

Paser Project has the meaning given in Section 2.1.

Paser Vendors has the meaning given in Section 2.1, being those persons listed in Schedule 1.

Prior Placement has the meaning given in Section 6.1.

Prior Placement Shares has the meaning given in Resolution 4.

Proxy Form means the proxy form attached to the Notice.

PT GMM means PT Gunung Mentari Mining, a company incorporated in Indonesia.

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

Rp means Indonesian rupiah.

Schedule means a schedule to the Notice.

Section means a section of this Explanatory Memorandum.

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

Shareholder means a shareholder of the Company.

US\$ means United States of America dollars.

Vendor Shares has the meaning given in Resolution 2.

VWAP means volume-weighted average price.

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

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

Schedule 1 – Paser Vendors and Vendor Shares

No.	Paser Vendors	Vendor Shares
1	91 High Nominees Pty Ltd	62,500,000
2	Glenella Pty Ltd	31,250,000
3	Mulyadi M. Hasan	31,250,000
		125,000,000

Schedule 2 – Pro-forma Financial Position of the Company

	31-Dec-11	Movements Since 31 December, 2011	Notes	Pro-Forma Pre Transaction and Issue of Shares to Alpha Securities	Transaction and Issue to Alpha Securities	Notes	Pro-Forma Post Transaction and Issue of Shares to Alpha Securities
	\$	\$		\$	\$		\$
Current assets							
Cash and cash equivalents	1,848,077	(255,077)	1	1,593,000	(550,000)	4,5	1,043,000
Trade & other receivables	261,784			261,784			261,784
Total Current Assets	2,109,861			1,854,784			1,304,784
Non-Current Assets							
Available for sale assets	218,288			218,288			218,288
Plant and equipment	1,421			1,421			1,421
Deferred exploration expenditure	112,312			112,312			112,312
Investments					1,800,000	3,4,5	1,800,000
Total Non-Current Assets	332,021			332,021			2,132,021
Total Assets	2,441,882			2,186,805			3,436,805
Current Liabilities							
Trade and other payables	173,661			173,661			173,661
Provisions	7,217			7,217			7,217
Total Current Liabilities	180,878			180,878			180,878
Total Liabilities	180,878			180,878			180,878
Net Assets	2,261,004			2,005,927			3,255,927
Equity							
Contributed equity	10,785,645			10,785,645	1,275,000	2,3	12,060,645
Reserves	481,288			481,288			481,288
Accumulated losses	(9,005,929)	(255,077)		(9,261,006)	(25,000)	2	(9,286,006)
Total Equity	2,261,004			2,005,927			3,255,927

Notes	Description	# shares/ options	Price	A\$	Comments
1	Cost of Operations since 31 December 2011			255,077	Net decrease in cash due to operations
2	Issue of Shares for services	1,516,899	0.016	25,000	Issue of Shares to Alpha Securities
3	Issue of Shares to Paser Vendors	125,000,000	0.01	1,250,000	Vendor Shares to be issued to Paser Vendors
4	Payments to Paser Vendors			350,000	Reimbursement of costs to the Paser Vendors
5	Payment to PT GMM			200,000	Loan to Paser to enable Paser to make payment to PT GMM referred to in Sections 2.2(d)(i) and 2.2(d)(ii)

Schedule 3 – Paser Project

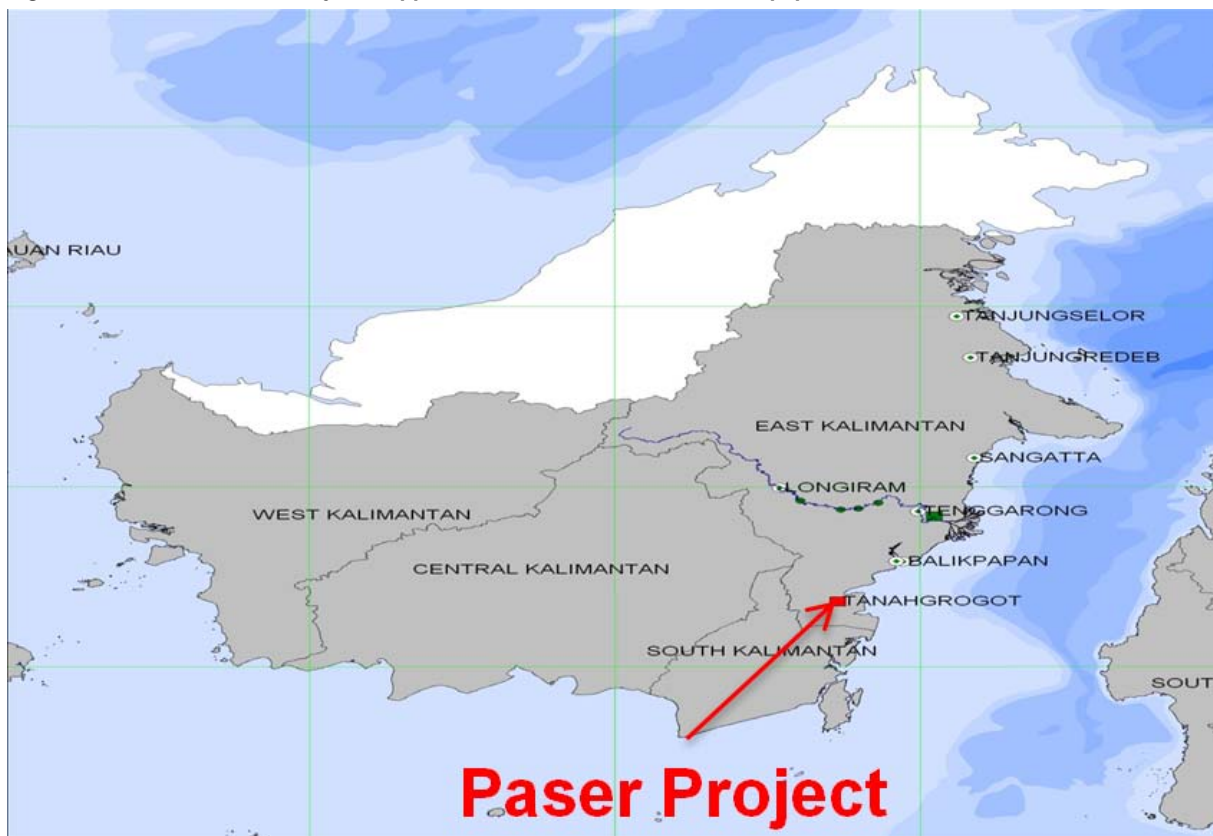
Location of the Paser Project

The Paser Project comprises of a 43ha production license, with all environmental and mining approvals granted. The Paser Project is located approximately 127 kilometres south west from Balikpapan, Indonesia. Administratively the prospect area is located in Petangis Village, Batu Engau District, Paser Regency in East Kalimantan. Good quality haul roads exist in and around the concession area and jetty locations are within 14 kilometres of the concession.

Indonesian export coals are typically loaded onto barges at either river-based or coastal-sited loading facilities and transported to an offshore transfer point for loading onto ocean-going vessels or barged to a deep water coal terminal. Further, Indonesian coal is moved from mine to shipping points primarily via a combination of trucking and barging.

At most Indonesian export thermal coal mines, coal is trucked directly to a coal processing/barge-loading facility located on tidewater or on a barge-navigable river. For direct-haul operations, trucking distances typically vary from between 10 to 35 kilometres. In the case of the Paser Project, the jetty locations are within a short distance to a deep water harbour, with an existing operational port nearby. The distance by barge from the loading facility is approximately 30 kilometres.

Figure 1: Location of Paser Project – Approx. 127 kilometres SW from Balikpapan



Further Information on Paser Project

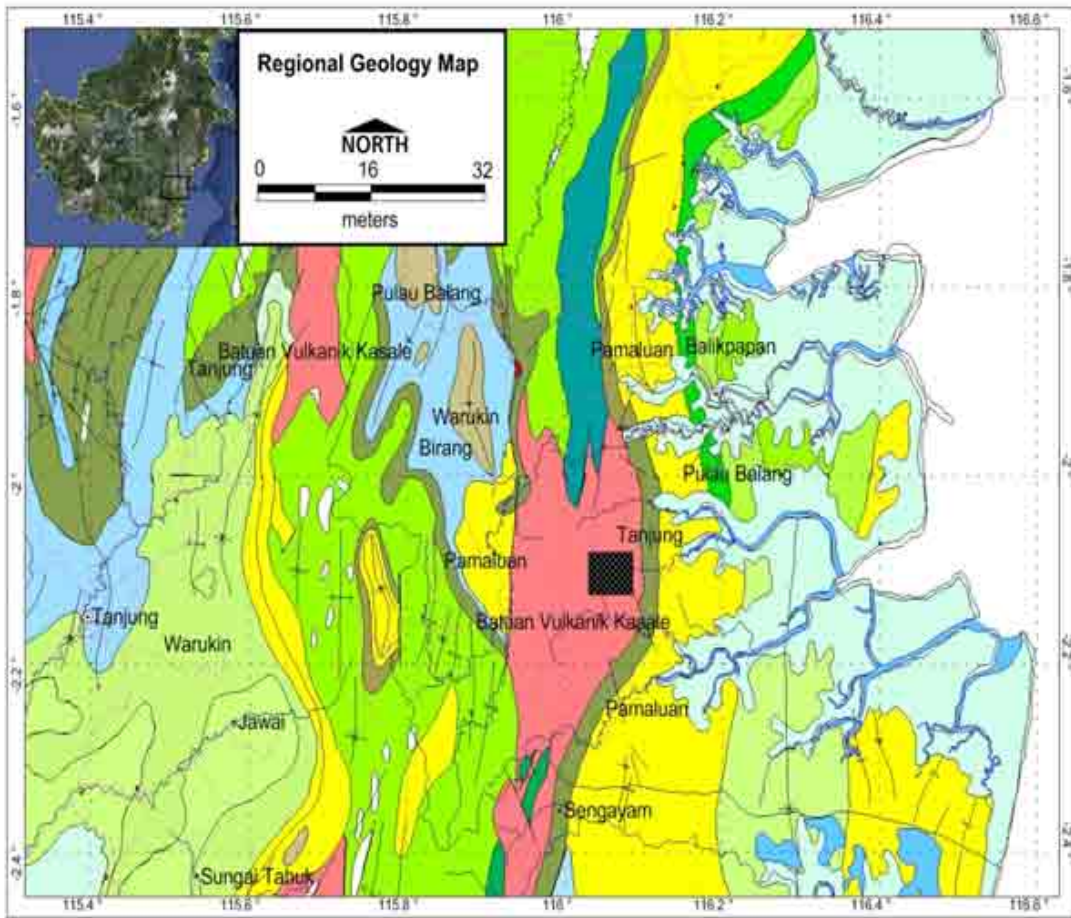
Refer to the Company's ASX announcement of 2 July 2012 for further details of the Paser Project.

Project Geology & Exploration Potential

The Paser Project area lies in the Tanjung Formation of the Kutai basin. This basin is underlain by Jurassic Cretaceous ultrabasic rocks and the Jurassic Pitap Formation. These are overlain by the Tanjung-Kuaro, Berai, Pamaluan, and Warukin Formations and covered by Quaternary alluvium. Research indicates that coal is formed mainly in the Tanjung-Kuaro, Pamaluan and Warukin Formations within the basins.

There is a number of operating coal mines targeting the Tanjung Formation within the project area namely PT Kendilo 25km to the north and PT Kideco 25 km to the north west.

Figure 2. Map of Regional Geology of Paser District



Previous Exploration at the Paser Project

The Paser Project has previously been drilled to north with a total of 20 boreholes completed. All the geological data from this drilling program has been secured by the Company during the due diligence phase. Securing the drill core, bore hole data and independent coal quality analysis from the previous 20 borehole program undertaken on the Paser Project will greatly assist the technical team in determining the vertical and lateral distribution of the coal seams, the quality of the coal and ultimately the economic viability of the project.

Work Completed by the Company

The Company has completed legal and technical due diligence on the Paser Project.

Legal due diligence

The Company has received an independent legal due diligence report on the PT GMM and title of the Paser Project, validating that PT GMM has obtained an IUP¹ for operation and production of coal within the permit area. Further, the legal due diligence confirmed that the IUP is deemed valid, as it is listed with the Status 'Clear and Clean' on the 'List of Clear and Clean IUPs' published by the Directorate General of Minerals and Coal.

¹ The abbreviation for *Izin Usaha Pertambangan* (i.e. Production Permit). The IUP gives the permit holder the right to conduct construction, production, haulage, sale and refining in the mining area.

Technical due diligence

The Company has undertaken technical due diligence on the Paser Project and successfully collated and validated previous exploration data (topographical, outcrop and borehole surveys, coal quality and civil infrastructure plans, etc.) and completed a geophysical survey to map the vertical and lateral distribution of the coal seams in 2D/3D format and profile the resistivity of coal and other soil layers in the ground.

Work Planned

With the interpretation of geological data complete on the Paser Project, the Company will now proceed with the design and implementation of a drilling program to define a mineable resource.

PADANG RESOURCES LIMITED

ACN 106 240 475

**PROXY FORM
GENERAL MEETING**

The Company Secretary
Padang Resources Limited

By delivery:

Padang Resources Limited
Suite 2, 16 Ord Street
WEST PERTH WA 6005

By post:

Padang Resources Limited
PO Box 1779
WEST PERTH WA 6872

By facsimile:

08 9486 1011

I/We _____

of _____

being a Shareholder/Shareholders of the Company and entitled to _____

votes in the Company, hereby appoint _____

OR ☐ the Chair of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting of the Company to be held at Suite 2, 16 Ord St West Perth, WA on 10th August 2012 at 10.00am (WST). If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is * []% of the Shareholder's votes*/ [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Voting on Business of the Meeting

		For	Against	Abstain
Resolution 1	Change to Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of Acquisition of Paser Pte Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Issue of Shares to Alpha Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Prior Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of Issue of Consultant Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ____%

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.

Authorised signature/s This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹ Insert name and address of Shareholder

² Insert name and address of proxy

*Omit if not applicable

Instructions for Completing 'Proxy' Form

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the 'Certificate of Appointment of Representative' prior to admission. A form of the certificate may be obtained from the Company's share registry.

A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.

You must sign this form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | Where the holding is in one name, the member must |
| Joint Holding: | Where the holding is in more than one name all of the holders must sign. |
| Power of Attorney: | if signed under a power of attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the power of attorney to this Proxy Form when you return it. |
| Companies: | a director can sign jointly with another director or a company secretary. A sole director who is also a sole company secretary can also sign. Please indicate the office held by signing in the appropriate space. |

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

Completion of a Proxy Form will not prevent individual members from attending the Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Meeting.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Company's office (Suite 2, 16 Ord Street, West Perth, WA 6005 or Facsimile number 9486 1011 if faxed within Australia or +61 8 9486 1011 if faxed from outside Australia) not later than 48 hours prior to the time of commencement of the Meeting being 10.00am (WST) on 10th August 2012.

Proxy forms received later than this time will be invalid.