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**Padang Resources Limited**  
**A B N 7 4 1 0 6 2 4 0 4 7 5**

**NOTICE OF ANNUAL GENERAL MEETING**

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**The Annual General Meeting of the Company will be held at Suite 4 – 16 Ord St  
West Perth WA 6005 on Tuesday 27 November 2012 at 10:30 AM (WST).**

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

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**Padang Resources Limited**  
**A B N 7 4 1 0 6 2 4 0 4 7 5**

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**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the annual general meeting of Shareholders of Padang Resources Limited (**Company**) will be held at Suite 4 – 16 Ord St West Perth WA 6005 on Tuesday 27 November 2012 at 10:30 AM (WST) (**Meeting**).

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

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

**AGENDA**

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**Financial, Directors' and Auditor's Reports**

To receive the Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June 2012.

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**1. Resolution 1 – Remuneration Report**

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

*"That, for the purposes of Section 250R(2) of the Corporations Act, the Remuneration Report be adopted by the Shareholders."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**Voting Exclusion:**

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

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

*However, a person described above may vote on this Resolution if:*

- (a) *the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and*
- (b) *the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.*

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## **2. Resolution 2 – Election of Mr Peter Woods as a Director**

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

*"To elect Mr Peter Woods, who, having been appointed a director of the Company since the last Annual General Meeting, retires in accordance with the Company's Constitution and the ASX Listing Rules and, being eligible, offers himself for election."*

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## **3. Resolution 3 – Re-election of Mr Ian Murie as a Director**

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

*"That, for the purpose of clause 3(6) of the Constitution and for all other purposes, Mr Ian Murie, a Director, retires by rotation, and being eligible, offers himself for re-election as a Director."*

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## **4. Resolution 4 – Ratification of Prior Issue of Shares**

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

*"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 51,708,384 Shares, to the parties listed in Annexure A and otherwise on the terms and conditions set out in the Explanatory Statement."*

### **Voting Exclusion:**

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

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## **5. Resolution 5 – Approval to Issue 100,000,000 Options**

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

*"That, for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue up to 100,000,000 options, each exercisable at 3 cents and expiring 30 November 2014, on the terms and conditions set out in the Explanatory Statement."*

### **Voting Exclusion:**

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

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## **6. Resolution 6 – Approval of 10% Placement Facility**

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

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

### **Voting Exclusion**

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

*The Company will not disregard a vote if:*

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

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## **7. Resolution 7 – Change of Name**

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

*"That, for the purpose of Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to "Palace Resources Limited"."*

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## **8. Resolution 8 – Listing Rule 10.11 and Section 195 (4) Approval**

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

*"That, subject to the passing of resolution 5, and for the purposes of ASX Listing Rule 10.11 and section 195(4) of the Corporations Act 2001 the shareholders approve and authorise the directors of the Company to participate in the issue of options contemplated in resolution 5 on the terms and conditions set out in the Explanatory Memorandum."*

### **Voting exclusion**

The Company will disregard any votes cast on this resolution by Peter Wood, Guy Le Page, Ian Murie, Anthony Short, and their Associates. However the Company need not disregard any vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the 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.

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## **9. Resolution 9 – Appointment of Auditor**

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

*"That approval is given for the appointment of Simes and Cooke as auditor of the Company effective from the date of the Meeting and the Directors be authorised to agree on the remuneration."*

**Short Explanation:** In the event Shareholders consent to the removal of Nexia Australia as auditor, a new auditor needs to be appointed. Simes and Cooke have consented to be appointed as auditor subject to the approval of Shareholders.

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## **Corporate Representatives**

Any corporation which is a member of the Company may authorise (by certificate or letter under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a person to act as its representative at the Meeting. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

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## **Voting Entitlement and "Snapshot" date**

The directors have determined that for purposes of regulation 7.11.37 of the Corporations Act, the persons eligible to vote at the meeting will be those persons who are registered as Shareholders on Sunday, 25 November 2012 at 10.30am (WST). Accordingly, any share transfer registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

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## **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.

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

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

Further details on these changes is set out below.

### ***Proxy vote if appointment specifies way to vote***

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

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

### ***Transfer of non-chair proxy to chair in certain circumstances***

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

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

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

The accompanying Explanatory Statement and the Proxy and Voting Instructions form part of this Notice of Meeting.

Dated 24 October 2012  
By Order of the Board

Mr Roland Berzins  
Company Secretary

## **EXPLANATORY MEMORANDUM**

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### **Introduction**

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 4, 16 Ord Street West Perth WA on Tuesday 27<sup>th</sup> November 2012 at 10:30am (WST).

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### **Financial, Directors' and Auditor's Reports**

Shareholders will be offered the opportunity to discuss the Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June 2012, a copy of which is available on the Company's website at [www.padangresources.com.au](http://www.padangresources.com.au). There is no requirement for Shareholders to approve these reports.

Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. As a Shareholder, you are entitled to submit one written question to the auditor prior to the Meeting provided that the question relates to:

- (a) the content of the Auditor's Report; or
- (b) the conduct of the audit in relation to the Financial Report.

All written questions must be received by the Company no later than 5 business days before the Meeting. All questions must be sent to the Company and must not be sent directly to the auditor. The Company will then forward all questions to the auditor. The auditor will answer all written questions submitted prior to the deadline stated above. Copies of the questions, if any, submitted to the Company's auditor will be available at the meeting and posted on the Company's website.

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### **1. Resolution 1 – Remuneration Report**

Pursuant to section 250R(2) of the Corporations Act, the Company is required to put the Remuneration Report to a non-binding vote of Shareholders. The Annual Report contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the Managing Director, specified executives and non-executive Directors, where applicable. The Annual Report is available on the Company's website, [www.padangresources.com.au](http://www.padangresources.com.au).

The provisions of the Corporations Act dealing with the non-binding vote on the remuneration report have recently been amended. The Corporations Act still provides that the resolution need only be an advisory vote of Shareholders and does not bind the directors. However, the Board will take the outcome of the vote into consideration when considering the remuneration policy.

In addition, the Corporations Act amendments now set out a 'two strikes' re-election process. Under the 'two strikes' re-election process, if the Company's remuneration report receives a 'no' vote of 25% or more of all votes cast at two consecutive annual general meetings (that is, 'two strikes'), a resolution (the 'spill resolution') must be put to the second annual general meeting, requiring Shareholders to vote on whether the Company must hold another general meeting (known as the 'spill meeting') to consider the appointment of all of the Directors who stand for re-appointment (other than the Managing Director). If the spill resolution is approved by a simple majority of 50% or more of the eligible votes cast, the 'spill meeting' must be held within 90 days of that second annual general meeting (unless none of the Directors, other than the Managing Director, stand for re-appointment). Further information will be provided on the 'spill resolution' and 'spill meeting' for any annual general meeting at which the Company may face a 'second strike'.

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, *you must direct the proxy how they are to vote*. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2012.

The remuneration levels for directors, officer and senior managers are competitively set to attract and retain appropriate directors and key management personnel.

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

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

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## **2. Resolution 2 – Election of Mr Peter Woods**

Clause 3(3) of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Pursuant to the Constitution, Mr Peter Woods will retire in accordance with Section 3 (3) and being eligible seeks re-election.

The current board unanimously supports Woods' re-appointment.

Mr. Woods was appointed a Director of the Company on 12 July 2012. He has had extensive Board and political experience in both the public and private sectors, nationally and internationally. He is a Justice of the Peace, Bachelor of Arts, Master of Letters and has a Certificate in Commercial Mediation. He is a Life Member of the



Australian College of Educators and a Fellow of the Australian Institute of Company Directors.

His Directorships and political representation have included:

- Chair of the NSW Local Government Superannuation;
- Director of Chifley Financial Services;
- Director of Hawkesbridge Private Equity;
- President of the Local Government Association of New South Wales (of which he is now Patron);
- President of the Australian Local Government Association and Director; and
- Member of the Council of Australian Governments (COAG) and a member of numerous Ministerial Councils.

Peter Woods received the Order of Australia Medal in 1995, the Outstanding Service Medal in 2002 and was recognised with the conferral of the title “Emeritus Mayor” for long and distinguished service.

He has extensive experience in Asia-Pacific and throughout the World and following his service as Secretary General of United Cities and Local Governments (Asia Pacific), Asia Pacific President and World Vice President of the International Union of Local Authorities and a ten-year term as a Director of the Commonwealth Local Government Forum and considerable United Nations work, he was appointed as Ambassador for UCLG-ASPAC, a position he continues to occupy.

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### **3. Resolution 3 – Re-election of Mr Ian Murie**

Clause 3(6) of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

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

A Director who retires by rotation under clause 3(6) of the Constitution is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr Ian Murie, the Director longest in office since his last election, retires by rotation and seeks re-election.

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### **4. Resolution 4 – Ratification of Issue of 51,708,384 Shares**

Resolution 4 seeks Shareholder ratification for the issue and allotment of 51,708,384 Shares that your Directors issued to the parties listed in Annexure A, at an issue price of \$0.01 per Share, on 3 October 2012.

Subject to certain exceptions, Listing Rule 7.1 restricts a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of the company's ordinary securities on issue at the commencement of that period without shareholder approval.

The exception to this rule contained in Listing Rule 7.4 provides an issue made within the 15% limit will be treated as having been made with the approval of shareholders under Listing Rule 7.1 if subsequently approved by shareholders, thereby 'refreshing' the company's ability to issue shares within the 15% limit, and restoring the company's ability to make placements within that limit (if that is thought desirable) without the need for shareholder approval.

While the Shares described in this Resolution 4 have been issued within the 15% limit, the Company seeks Shareholder ratification of the issue of those Pre-consolidation Shares for the purpose of Listing Rule 7.4 so that the Company's ability to issue securities will be 'refreshed' and it will have flexibility to issue further securities should the need or opportunity arise.

In accordance with the requirements of Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the Pre-consolidation Shares the subject of this Resolution 4:

- (a) the number of Shares issued and allotted was 51,708,384, of which 50,000,000 were issued for cash and 1,708,384 in lieu of services;
- (b) the Shares were issued at an issue price of \$0.01 per Share, and raised \$500,000 for the Company before issue costs, and paid for services of \$17,084;
- (c) The 51,708,384 Shares rank pari passu with the Company's existing issued Shares;
- (d) the Shares were issued to the parties listed in Annexure A; and
- (e) the funds raised from the issue of the Shares will be used primarily for development of the Company's Paser project and for working capital purposes.

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## **5. Resolution 5 – Issue of Options**

Resolution 5 seeks Shareholder approval for the issue of up to 100,000,000 Options as follows:

- a) 25,000,000 free attaching Options to the parties listed in Annexure A;
- b) 10,000,000 free attaching Options to anticipated further share placement participants; and
- c) 65,000,000 by way of a placement at \$0.001 per Option.

Your Directors have resolved that, subject to the receipt of Shareholder approval, one (1) free attaching Option be granted for every two (2) shares subscribed for by each of the parties that subscribed for Shares in cash, and as announced to ASX on 26 September and 3 October 2012 (please refer to section 4 of this Explanatory Statement for details of this issue-no option entitlement to the 1,708,384 Shares issued in lieu of services). Please refer to Annexure A for further details of the 25,000,000 free attaching Options.

Your Directors have also resolved that, subject to Shareholder approval a further 10,000,000 free attaching Options be granted upon similar terms should a further placement of 20,000,000 shares be made at an issue price of \$0.01 per share.

Your Directors have further resolved that, subject to Shareholder approval, up to a further 65,000,000 Options be placed at \$0.001 per Option.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Directors to issue and grant the Options within 3 months after the Annual General Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

### **Technical Information Required by ASX Listing Rule 7.3**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed grant of Options:

- (a) The maximum number of Options to be issued is 100,000,000;
- (b) The Options will be issued no later than 3 months after the date of the Annual General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur progressively over this period;
- (c) The Options will be issued under a prospectus to the general public and to sophisticated investor clients of various brokers. Subject to the passing of resolution 8 a maximum of 20,000,000 options will be issued at \$0.001 to current directors and a previous director, or their nominees;
- (d) The Options to be granted will be issued on the terms and conditions as set out in Annexure B;
- (e) 25,000,000 of the Options will be granted, for no consideration, to the parties who successfully subscribed for Shares as announced to ASX on 26 September and 3 October 2012. Those parties, and the number of Options to be granted to each party, are listed in Annexure A. Up to a further 10,000,000 Options will be granted, for no consideration, to further subscribers for shares in the Company. Up to 65,000,000 further Options will be issued at \$0.001; and
- (f) Up to \$65,000 will be raised by the Company, before costs, as a result of the issue of 65,000,000 Options at \$0.001. Funds raised will be used on the Company's Paser project in Kalimantan and for general working capital.

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## **6. Resolution 6 – Approval of 10% Placement Facility**

### **General**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

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

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

The Directors of the Company believe that Resolution 6 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

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

## **Listing Rule 7.1A**

### **(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

### **(b) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, Shares and Listed Options.

### **(c) Formula for calculating 10% Placement Facility**

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

$$(A \times D) - E$$

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

- (1) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid shares that became fully paid in the 12 months;
- (3) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of

fully paid shares under the entity's 15% placement capacity without Shareholder approval;

- (4) less the number of fully paid shares cancelled in the 12 months.

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

**D** is 10%

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

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

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

At the date of the Notice, the Company has on issue 524,916,952 Shares and therefore has a capacity to issue:

- (i) 78,737,542 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 6, 52,491,695 Equity Securities under Listing Rule 7.1A.

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

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

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

(f) **10% Placement Period**

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

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

- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period as allowed by ASX (**10% Placement Period**).

### **Listing Rule 7.1A**

The effect of Resolution 6 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

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

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

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Listed Options, only if the Listed Options are exercised). There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (c) The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.
- (d) The table also shows:
  - (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific

placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (i) two examples of where the issue price of ordinary securities has decreased by approximately 50% and increased by approximately 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.005 50% decrease in Issue Price	\$0.009 Issue Price	\$0.013 50% increase in Issue Price
<b>Current Variable A</b> 524,916,952 Shares	<b>10% Voting Dilution</b>	52,491,695 Shares	52,491,695 Shares	52,491,695 Shares
	<b>Funds raised</b>	\$262,458	\$472,425	\$682,392
<b>50% increase in current Variable A</b> 787,375,428 Shares	<b>10% Voting Dilution</b>	78,737,542 Shares	78,737,542 Shares	78,737,542 Shares
	<b>Funds raised</b>	\$393,687	\$708,637	\$1,023,588
<b>100% increase in current Variable A</b> 1,049,833,904 Shares	<b>10% Voting Dilution</b>	104,983,390 Shares	104,983,390 Shares	104,983,390 Shares
	<b>Funds raised</b>	\$524,916	\$944,850	\$1,364,784

**The table has been prepared on the following assumptions:**

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - (ii) No Listed Options (including any Listed Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities;
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
  - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
  - (vii) The issue price is \$0.009, being the closing price of the Shares on ASX on 22 October 2012.
- (e) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (f) The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of new coal assets and investments, predominantly in Indonesia. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - (ii) cash consideration. In such circumstances, the Company will use the funds raised towards the acquisition of new coal assets or investments (including expenses associated with such acquisitions), and/or continued exploration and development on the Company's existing Paser coal project in Kalimantan, Indonesia and/or general working capital.
- (g) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
  - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).
- (i) The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.
- (j) Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.
- (k) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.
- (l) A voting exclusion statement is included in the Notice for Resolution 6.

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## 7. Resolution 7 – Change of Name

The new name proposed to be adopted under Resolution 7 is "Palace Resources Limited". The Directors believe that the adoption of this more generic name (and a previous name of the Company) is more appropriate, since the Company is now evaluating assets outside Sumatra.



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## **8. Resolution 8 – Listing Rule 10.11 and Section 195 (4) Approval**

ASX listing rule 10.11 stipulates that an entity must not issue or agree to issue equity securities to Directors (related parties) without the approval of shareholders. Requirements for information to be included in the Notice are included under ASX listing rule 10.13.

If approval is given under listing rule 10.11, approval is not required under listing rule 7.1.

### **Listing Rule 10.13**

For the purposes of ASX listing rule 10.11 therefore;

- (a) Peter Woods, Ian Murie and Guy Le Page (current directors) and Anthony Short (resigned as a director in July 2012), may participate in the issue of options, the subject of resolution 5 above;
- (b) The maximum number of options to be issued to the current directors and Anthony Short via the issue will be 5,000,000 options each, a total of up to 20,000,000 options;
- (c) The options will be issued no later than one month after the date of meeting subject to shareholder approval being granted;
- (d) The options will be issued at the issue price contemplated in resolution 5 of 0.1 cents each, and will rank pari passu with the other options to be issued pursuant to resolution 5;
- (e) The funds from the option issue will be used to fund ongoing activities such as the Company's Paser project in Kalimantan, to review new projects and for additional working capital if required.
- (f) The Company will disregard any votes cast on this resolution by Peter Woods, Ian Murie, Guy Le Page and Anthony Short and their Associates. However the Company need not disregard any vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the 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.

### **Section 195(4)**

Section 195 of the Corporations Act 2001 essentially provides that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered.

All of the Directors therefore, may have a material personal interest if they take up shares offered in the issue pursuant to resolution 5 above. In the absence of this resolution, the Directors may not be able to form a quorum at Directors' meetings necessary to carry out the allotment of shares allotted to participants in the placement. The final allocations of shares pursuant to the placement will be decided by the Board.

The Directors have accordingly exercised their right under section 195(4) of the Corporations Act 2001 to put the issue to the Shareholders to resolve.

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## **9. Resolution 9 – Appointment of Auditor**

Following the resignation (subject to ASIC approval) of Nexia Australia (“Nexia”) as auditors to the Company, the Company seeks to appoint Simes Cooke as auditors to the Company. Pursuant to Section 328 of the Corporations Act 2001, Simes Cooke, having been nominated by a shareholder (refer to Annexure C for a copy of the nomination), consent to act as auditors to the Company and seek shareholder approval to be appointed as such.

Under the Corporations Act 2001, the resignation of an auditor is subject to approval by the Australian Securities and Investments Commission (ASIC) and appointment of a new auditor is subject to approval at an annual general meeting. Nexia has sought ASIC approval to resign and the Company seeks approval at this meeting for Simes Cooke to be appointed auditors subject to ASIC approval.

## Glossary

In this Explanatory Memorandum and Notice:

**Annual Report** means the 2012 Annual Report of the Company and its controlled entities (if any) a copy of which was lodged with the ASX.

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

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

**Board** means the board of Directors.

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

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

**Company** means Padang Resources Limited ABN 74 106 240 475

**Constitution** means the Constitution of the Company.

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

**Director** means a director of the Company and **Directors** means the directors of the Company.

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

**Explanatory Memorandum** means the explanatory memorandum to the Notice.

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

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

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

**Notice** means this notice of meeting.

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

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

**Resolution** means a resolution contained in this Notice.

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

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

## ANNEXURE A

<b>Name</b>	<b>Number of Shares issued</b>	<b>Number of Options to be granted</b>
Peter & Rosemary Anne Reynolds <Dixie Super Fund A/c>	2,000,000	1,000,000
Michael North Constructions Pty Ltd <Superannuation Fund A/c>	1,500,000	750,000
P Ford Superannuation Pty Ltd <Patrick Ford Super Fund A/c>	5,500,000	2,750,000
McKell Place Nominees Pty Ltd	1,000,000	500,000
Swell Nominees Pty Ltd	1,000,000	500,000
Timothy Kelsey	1,500,000	750,000
Drumnadrochit Futures Pty Ltd	1,000,000	500,000
Imperium Nominees Pty Ltd	2,000,000	1,000,000
Bluestar Management Pty Ltd	4,500,000	2,250,000
Ian Vine and Christine Ann Vine <Supervine Super Fund A/c>	1,300,000	650,000
Ian Vine and Christine Ann Vine	700,000	350,000
Christopher John Morgan-Hunn	1,000,000	500,000
Iain Richard Campbell McKean	2,000,000	1,000,000
Terry McInerney and Judy McInerney <Dryca Employee Ret A/C>	3,500,000	1,750,000
Jason Robert Powell	2,000,000	1,000,000
B & J Powell Pty Ltd <B & J A/C>	1,000,000	500,000
Cobungra Holdings Pty Ltd	1,000,000	500,000
Jarisi Pty Ltd <Knox Family Super Fund A/C>	2,000,000	1,000,000
Antonios Dourambeis and Ann Dourambeis <Dourameis Family Super Fund A/c >	1,000,000	500,000
Geoffrey Guild Hill	1,500,000	750,000
Sam Francipane	2,000,000	1,000,000
Buckingham Investment Financial	1,000,000	500,000
Wisevest Pty Ltd	10,000,000	5,000,000
Gold Wells Pty Ltd	1,708,384	-
<b>Total</b>	<b>51,708,384</b>	<b>25,000,000</b>

## ANNEXURE B

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### TERMS AND CONDITIONS OF OPTIONS

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

- a) The exercise price of each Option is \$0.03 ("Exercise Price").
- b) The Options expire at 5.00pm WST on 30 November 2014.
- c) The Options can be exercised at any time and each Option shall entitle the holder to subscribe for and be allotted one ordinary fully paid share in the capital of Padang Resources Limited ("Share") upon exercise of the Option and payment to the Company of the Exercise Price.
- d) Shares issued as a result of the exercise of any of these Options will rank equally in all respects with all Shares in Padang Resources Limited.
- e) The Option holder is not entitled to participate in new issues of securities offered to Shareholders unless the Option is exercised before the relevant record date for that new issue.
- f) Shares issued on the exercise of Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued Shares of the Company in all respects. If the Company is listed on Australian Securities Exchange ("ASX") it will, pursuant to the exercise of an Option, apply to ASX for quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act 2001 and the ASX Listing Rules.
- g) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
- h) If there is a bonus issue to Shareholders, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- i) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options will be reduced in accordance with ASX Listing Rule 6.22.

## ANNEXURE C-Nomination of Auditor

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9 October 2012

The Directors  
Padang Resources Limited  
Suite 2  
16 Ord St  
West Perth WA 6005

Dear Sirs

Re: Nomination of auditor – Padang Resources Limited

We, Spartan Nominees Pty Ltd, being a shareholder of Padang Resources Limited (the Company) nominate Some Cooke Auditors and Accountants for appointment as auditors of the Company at the forthcoming Annual General Meeting.

Regards

A handwritten signature in black ink, appearing to read 'Alex Bajada', with a long horizontal stroke extending to the right.

Alex Bajada  
Director

**PROXY FORM      Appointment of Proxy**  
**Padang Resources Limited**

ABN 74 106 240 475

I/We<sup>1</sup>

of

being a Shareholder/Shareholders of the Company and entitled

votes in the Company,  
hereby appoint<sup>2</sup>

or failing such appointment the chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at Suite 4 – 16 Ord St West Perth WA 6005 on Tuesday 27 November 2012 at 10:30 AM (WST) and at any adjournment thereof in the manner indicated below or, in the absence of indication, and subject to the relevant laws, as he thinks fit. 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).

<sup>1</sup>Insert name and address of Shareholder      <sup>2</sup> Insert name and address of proxy      \*Omit if not applicable

**INSTRUCTIONS AS TO VOTING ON RESOLUTION 1**

Important for Resolution 1: If the Chair of the Meeting or any member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or a Closely Related Party of that member is your proxy and you have not directed the proxy to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or Closely Related Party of that member is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1.

**IMPORTANT:**

☐

If the chairman of the Meeting is to be appointed as your proxy and you have not directed your proxy how to vote on Resolutions 2 to 9 please tick this box. By marking this box you acknowledge that the chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 2 to 9 and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the chairman of the Meeting will not cast your votes on the Resolution if he has an interest in the outcome of the Resolution and your votes will not be counted in computing the required majority if a poll is called on the Resolution.

The chairman of the Meeting intends to vote undirected proxies in favour of the Resolutions.

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Remuneration Report			
Resolution 2	Election of Mr Peter Woods			
Resolution 3	Re-election of Mr Ian Murie			
Resolution 4	Ratification of Prior Issue			
Resolution 5	Approval to Issue Options			
Resolution 6	Approval of 10% Placement Facility			
Resolution 7	Change of Name			
Resolution 8	Listing Rule 10.11 and s 195(4) Approval			
Resolution 9	Appointment of Auditor			



**Authorised signature/s** This section **must** be signed in accordance with the instructions below 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

**Proxy Notes:**

A Shareholder entitled to attend and vote at the Meeting may appoint a 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 in which case any fraction of votes will be disregarded. 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 Shareholder may direct a proxy how to vote by marking "x" in 1 of the 3 boxes opposite each item of business. All of a Shareholder's votes will be cast in accordance with their direction, unless the Shareholder indicates only a portion of votes are to be cast on any item by inserting the percentage of their voting rights applicable to the proxy appointed by a Proxy Form in the appropriate box. If a Shareholder's proxy is not the chairman of the Meeting and does not vote as directed or is not in attendance at the Meeting, the chairman of the Meeting will be deemed to be the proxy and will cast the Shareholder's votes as directed. If a Shareholder does not mark any of the boxes relating to the items of business, their proxy will vote as he or she chooses. If a Shareholder marks more than 1 box relating to the same item of business any vote by their proxy on that item will be invalid.

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

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

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.

**Return of Proxy Forms**

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 as set out below not less than 48 hours prior to the time of commencement of the annual general meeting (WST), being Sunday 25 November 2012 at 10:30am (WST).

Facsimile: +618 9429 2900

Post: PO Box 1922, West Perth WA 6872.

Delivery: Suite 4 / 16 Ord Street West Perth WA 6005