

ALTONA MINING LIMITED

ABN 35 090 468 018

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

21 November 2012

Time of Meeting

3.30pm (Perth time)

Place of Meeting

Hay Street Room, Rydges Hotel, corner of Hay and King Streets, Perth, Australia

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully.
If you are unable to attend the Annual General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

Notice is hereby given that the Annual General Meeting of Shareholders of Altona Mining Limited 35 090 468 018 ("Company") will be held at 3.30pm on 21 November 2012 at Hay Street Room, Rydges Hotel, corner of Hay and King Streets, Perth, Australia for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

AGENDA

ITEMS OF BUSINESS

1. Financial Reports

To receive and consider the financial statements of the Company for the year ended 30 June 2012, together with the Directors Report and the Auditor's Report as set out in the Annual Report.

2. Resolution 1 – Non Binding Resolution to Adopt Remuneration Report

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

"That the Remuneration Report as set out in the Annual Report for the year ended 30 June 2012 be adopted."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter¹. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

3. Resolution 2 – Re-election of Peter Ingram as a Director

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

"That, Peter Ingram, who retires in accordance with clause 13.2 of the Constitution and, being eligible for re-election, be re-elected as a Director."

¹ "Restricted Voter" means Key Management Personnel and their Closely Related Parties as defined in the glossary.

4. Resolution 3 – Increase in Directors’ Fees

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

“That, pursuant to and in accordance with Listing Rule 10.17 and for all other purposes, the maximum aggregate Directors’ fees payable to non-executive Directors be increased from \$500,000 per annum to \$750,000 per annum.”

The Company will disregard any votes cast on Resolution 3 by a Director of the Company and any associate of a Director. However, the Company need not disregard a 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 entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

Further, a Restricted Voter¹ who is appointed as a proxy will not vote on Resolution 3 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 3; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 3.

Shareholders may also choose to direct the Chair to vote against Resolution 3 or to abstain from voting.

5. Resolution 4 – Approval of Altona Mining Limited Awards Plan

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

“That pursuant to and in accordance with Listing Rule 7.2, Exception 9 and for all other purposes, the company approves the grant and issue of securities under the employee incentive scheme for employees and Directors known as the “Awards Plan”, a summary of which is provided in the Explanatory Memorandum, as an exception to Listing Rule 7.1.”

The Company will disregard any votes cast on Resolution 4 by a director of the Company and any person associated with those persons (except one who is ineligible to participate in any employee incentive scheme of the Company). However, the Company need not disregard a 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.

6. Resolution 5 – Grant of Performance Share Rights to Dr Alistair Cowden

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

“That for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 1,666,667 Performance Share Rights for no consideration, each Performance Share Right having an expiry date of 1 July 2015, to Dr Alistair Cowden or his nominee on the terms and conditions set out in the attached Explanatory Memorandum.”

The Company will disregard any votes cast on Resolution 5 by Dr Cowden and any associate of Dr Cowden. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Dr Cowden or an associate of Dr Cowden.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 5 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 5; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 5. Shareholders may also choose to direct the Chair to vote against Resolution 5 or to abstain from voting.

7. Resolution 6 – Grant of Performance Share Rights to Dr Alistair Cowden

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

“That for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve:

- (a) *the grant on 1 July 2013 of up to that number of Performance Share Rights based on the following formula:*

$$2 \times \frac{\text{(Total Fixed Remuneration at grant date x 0.45)}}{\text{(20 day VWAP of Shares on ASX to the grant date)}}$$

for no consideration, each Performance Share Right having an expiry date of 1 July 2016; and

- (b) *the grant on 1 July 2014 of up to that number of Performance Share Rights based on the following formula:*

$$2 \times \frac{\text{(Total Fixed Remuneration at grant date x 0.45)}}{\text{(20 day VWAP of Shares on ASX to the grant date)}}$$

for no consideration, each Performance Share Right having an expiry date of 1 July 2017;

to Dr Alistair Cowden or his nominee on the terms and conditions set out in the attached Explanatory Memorandum.”

The Company will disregard any votes cast on Resolution 6 by Dr Cowden and any associate of Dr Cowden. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Dr Cowden or an associate of Dr Cowden.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 6 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 6; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 6. Shareholders may also choose to direct the Chair to vote against Resolution 6 or to abstain from voting.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

By order of the Board



Carmen Lunderstedt
Company Secretary

Dated: 9 October 2012

How to Vote

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Annual General Meeting and by submitting their proxy appointment and voting instructions in person, by post, or by facsimile.

Voting in Person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by Proxy

A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.

The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).

A proxy need not be a shareholder.

The proxy can be either an individual or a body corporate.

If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as they think fit. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolution 1, if the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.

If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the Company Secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions. These rules are explained in this Notice.

To be effective, proxies must be lodged by 3.30pm (Perth time) on 19 November 2012. Proxies lodged after this time will be invalid.

Proxies may be lodged using any of the following methods:

- by returning a completed proxy form in person to Altona Mining Limited at Ground Floor, 1 Altona Street, West Perth, WA 6005; or
- by post using the pre-addressed envelope provided with this Notice to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC 3001; or
- by faxing a completed proxy form to 1800 783 447.

The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company or Computershare at the above addresses, or by facsimile, and by 3:30pm (Perth time) on 19 November 2012. If facsimile transmission is used, the power of attorney must be certified.

Shareholders who are Entitled to Vote

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5pm (Perth time) on 19 November 2012.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of Altona Mining Limited ("Altona" or the "Company").

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

FINANCIAL REPORTS

The first item of the Notice of Annual General Meeting deals with the presentation of the Annual Financial Report of the Company for the financial year ended 30 June 2012 together with the Directors' Declaration and Report in relation to that financial year and the Auditor's Report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

In accordance with section 250R(2) of the Corporations Act the Company is required to present to its shareholders the Remuneration Report as disclosed in the Company's 2012 Annual Report. The Remuneration Report is set out in the Company's 2012 Annual Report and is also available on the Company's website www.altonamining.com.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors and other Key Management Personnel (KMP), sets out remuneration details for each KMP, together with details of any service agreements and share based compensation.

The vote on the Resolution is advisory only and does not bind the Directors or the Company.

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2012 AGM, and then again at the 2013 AGM, the Company will be required to put a resolution to the 2013 AGM, to approve calling a general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene a general meeting (**spill meeting**) within 90 days of the

2013 AGM. All of the Directors who were in office when the 2013 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

Voting

A voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

RESOLUTION 2 – RE-ELECTION OF PETER INGRAM AS A DIRECTOR

Pursuant to Clause 13.2 of the Company's Constitution, Peter Ingram, being a Director, retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Peter Ingram graduated in geology from the University of Western Australia 1965. After working for a number of international and Australian mineral exploration companies he established a successful consulting geological practice based in Perth, undertaking assignments for both major and junior client companies.

For most of the past 30 years Mr Ingram has been managing listed public exploration and mining companies, initially as joint and later as sole Managing Director of the Metana Minerals NL Group of companies and later as Executive Chairman of Glengarry Resources Limited and Marlborough Resources Limited and Non-Executive Director of Dragon Mining Limited. Mr Ingram was a founding director of Universal Resources Limited (renamed Altona Mining Limited post the merger with Vulcan Resources Limited).

During his career, Mr Ingram has played an important role in various industry bodies, including the Board of Management of Western Australian School of Mines, a former and founding councillor and President of the Association of Mining and Exploration Companies (AMEC) and has been appointed an Honorary Life Member of AMEC and a former and founding Director of The Australian Gold Mining Industry Council.

RESOLUTION 3 – INCREASE IN DIRECTORS' FEES

Resolution 3 seeks shareholder approval for the purposed of Listing Rule 10.17 and for all other purposed, for the Company to be authorised to increase the aggregate amount of fees paid to Directors by \$250,000 from \$500,000 per annum to an aggregate amount of \$750,000 per annum.

The maximum aggregate fees pool available for Directors remuneration has not been increased since November 2010.

It is not intended to fully utilise the increased aggregate fees in the immediate future.

The Board considers that it is reasonable and appropriate to seek an increase in the remuneration pool for non-executive Directors for the following reasons:

- (a) the transition of the Company from an explorer and developer into a producer may necessitate the addition of a further director or directors with different skills and experience;
- (b) non-executive Directors fees may need to be increased to retain Directors;
- (c) to attract new Directors of a calibre required to effectively guide and monitor the business of the Company; and
- (d) to remunerate Directors appropriately for the expectation placed upon them both by the Company and the regulatory environment in which it operates.

The remuneration for each Director for the year ended 30 June 2012 is detailed in the Company's 2012 Annual Report.

RESOLUTION 4 – APPROVAL OF ALTONA MINING LIMITED AWARDS PLAN

4.1 Background and description

Resolution 4 proposes the continuation of the Awards Plan first approved by Shareholders on 6 August 2010 pursuant to ASX Listing Rule 7.2 exception 9.

The Awards Plan is a fundamental component of the Company's remuneration policy which includes providing effective long term incentives for performance and retention of its staff.

The Awards Plan is a framework for the provision of long term incentives to executives and employees of the Company at all levels and is comprised of two parts. Part A provides for the issue of Options (**Part A**) and part B provides for the issue of Performance Share Rights (**Part B**).

Shareholder approval is required if any issue of securities pursuant to the Awards Plan is to fall within the exception to the calculation of the 15% limit imposed by Listing Rule 7.1 on the number of securities which may be issued without shareholder approval. Accordingly, shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 9(b) which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by the holders of ordinary securities within three years of the date of issue.

Securities have previously been issued under Shareholder approved Award Plan.

4.2 Reason for the Award Plan

To achieve the corporate objectives, the Company needs to attract and retain its key staff.

The Board believes that grants of Options or Performance Share Rights to eligible employees will provide a powerful tool to underpin the Company's employment strategy, and that the implementation of the Awards Plan will:

- enable the Company to recruit and retain the talented people needed to achieve its business objectives;
- link the reward of key staff with the achievements of strategic goals and the long term performance of the Company;
- align the financial interest of participants of the Awards Plan with those of Shareholders; and

- provide incentives to participants of the Award Plan to focus on superior performance that creates shareholder value.

4.3 Outline of the Awards Plan

This section gives a brief outline of how the Board intends to manage participation under the rules of the proposed Awards Plan.

Participation

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

The Board wishes to be in a position to issue either Performance Share Rights or Options to employees to achieve the objectives outlined above.

Prior Shareholder approval will be required before any Director or related party of the Company can participate in the Awards Plan.

Performance Conditions

The Board's policy is that long term equity based reward for staff should be linked to the achievement by the Company of a performance condition.

Options and Performance Share Rights granted to eligible employees will be subject to performance conditions as determined by the Company's Remuneration Committee from time to time. The performance conditions must be satisfied before either the Performance Share Rights or Options vest.

The performance conditions are likely to be linked to a combination of Total Shareholder Return (**TSR**), being the change in the share price over the relevant measurement period plus dividends (if any) notionally reinvested in the Shares, together with the achievement of other major milestones for the company, as identified in the company's strategic plan. TSR is currently the measure most widely utilised by listed companies in their incentive share plans.

Rules of the Awards Plan

The Board may from time to time in its absolute discretion issue invitations to full-time or part-time employees of the Company or a Group Company (**Eligible Person**) to participate in the Awards Plan. The number of Performance Share Rights and Options which may be granted under the Awards Plan at any time must not exceed the maximum permitted under ASIC Class Order 03/184 (**Order**). The Order provides relief from the disclosure regime of the Corporations Act. To ensure compliance with that Class Order, being 5% of the total number of Shares issued, or the subject of an Option or Performance Share Right issued pursuant to an employee incentive scheme during the previous 5 years (less certain exempted offers). Shares issued upon exercise of Performance Share Rights and Options shall rank equally with existing Shares.

An Eligible Person may be offered the opportunity to participate in Part A for the issue of Options or Part B for the issue of Performance Share Rights.

The following is a summary of Part A of the Awards Plan with respect to the issue of Options:

Terms and Conditions of Options: The Board may, in its absolute discretion, determine the terms and conditions of the Options to be offered to Eligible Persons under the Awards Plan, including the exercise price, expiry date, and any exercise or performance conditions which need to be fulfilled before the Options may be exercised. The Board will have regard to the market value of the Shares at the time it resolves to offer Options in determining the exercise price of the Options.

No payment for grant of Options: An Eligible Person will not pay anything for the grant of Options. The Eligible person must pay the relevant exercise price to the Company to exercise the Options into Shares.

Exercise of Options: Subject to any exercise or performance conditions set by the Board, Options may be exercised at any time. In certain takeover or change in control events, Options will be exercisable notwithstanding exercise or performance conditions may not have been met.

Pro-rata issues, bonus issues, reorganisations of capital and winding up:

- (i) Options do not carry any rights to the holder to participate in any issue of securities to existing Shareholders;
- (ii) if there is a bonus issue to Shareholders, the number of shares over which an Option is exercisable will be increased by the number of Shares which the option holder would have received if the Option had been exercised before the record date of the bonus issue;
- (iii) if there is a pro-rata issue (other than a bonus issue) to Shareholders, the exercise price of the Options will be reduced according to the formula provided in the Listing Rules;
- (iv) if there is reorganisation of the issued capital of the Company, then the rights of the Option holder (including the number of options to which the option holder is entitled and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation or capital at the time of the reorganisation; and
- (v) if a resolution for a members voluntary winding up of the company is proposed (other than for the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to the option holder of the proposed resolution. Subject to the exercise conditions of the Options, the option holder may, in the period referred to in the notice, exercise their Options.

Lapse of Options:

- (i) Options not validly exercised on or before their expiry date will automatically lapse;
- (ii) unless otherwise determined by the Board, if Options are granted subject to exercise conditions and, prior to satisfaction of the exercise conditions, an Eligible Person ceases to be a Eligible Person for any reason other than a Specified Reason, any such Options held by the Eligible Person (or his or her permitted nominee) will automatically lapse;
- (iii) unless otherwise determined by the Board, if Options are granted subject to exercise conditions and, prior to satisfaction of the exercise conditions and, prior to satisfaction of the exercise conditions and Eligible Person ceases to be an Eligible person because of a Specified Reason, any such Options held by the Eligible Person (or his or her permitted nominee) maybe exercised within 6 months of the event of the Specified Reason, or such longer period as the Board determines, subject to the Board waiving or varying the exercise conditions of the Options such that they may be exercised. Options not exercised within the 6 months or the longer period set by the Board will automatically lapse; and
- (iv) unless otherwise determined by the Board, if an Eligible Person ceases to be an Eligible Person at any time after an Option is or has become exercisable, the Eligible Person (or his or her permitted nominee) may exercise such Options at any time prior to their expiry date.

The following is a summary of Part B of the Awards Plan with respect to the issue of Performance Share Rights:

- (a) **Nature of Performance Share Rights:** A Performance Share Right is a right to receive a Share on the terms set out in the Awards Plan for the relevant performance period and subject to satisfaction of the applicable hurdles. The performance period, performance hurdles and test dates for measuring the performance hurdles may be determined by the Board from time to time.
- (b) **No payment:** An Eligible Person will not pay anything for the grant of Performance Share Rights and no amount will be payable by the holder of a Performance Share Right on the exercise of the Performance Share Right.
- (c) **Vesting:** Performance Share Rights may vest in the following ways:
 - (i) if the applicable performance hurdles are satisfied as at the relevant test date;
 - (ii) if the holder ceased to be an Eligible Person because of an “Uncontrollable Event” (eg. death, serious injury, disability, retrenchment or redundancy). In these circumstances all of the unvested Performance Share Rights that are capable of becoming exercisable if performance hurdles are met at the next test date will vest automatically, and any other unvested Performance Share Rights will only vest if determined by the Board in its absolute discretion;
 - (iii) if the holder ceases to be an Eligible Person because of resignation, the Performance Share Rights will automatically lapse. In these circumstances, the Board in its absolute discretion, after due consideration of the performance of the Eligible Person in meeting hurdles may use its absolute discretion to amend the Performance Share Rights vesting criteria.
 - (iv) unvested Performance Share Rights that have not lapsed will vest if a takeover bid (as defined in the Corporations Act) to acquire Shares becomes unconditional; at any time after a “Change of Control Event” (as defined in Part B of the Awards Plan) has occurred; or if a merger by way of scheme of arrangement under the Corporations Act has been approved by the Court.
- (d) **Exercise:** Performance Share Rights are automatically exercised if they vest. The Company must issue new Shares or procure the transfer of existing Shares to the holder immediately upon vesting of Performance Share Rights.
- (e) **New Issues:** Performance Share Rights do not confer on the holder a right to participate in new issues of Shares by the Company, including by way of bonus issue, rights issue, or otherwise.
- (f) **Variations of capital:** If there are certain variations of the share capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital, a demerger or other distribution in specie, the Board may make one of the following adjustments as it considers appropriate, in accordance with the provisions of the Listing Rules:
 - (i) the number of Shares which may be issued or transferred upon exercise of any of the Performance Share Rights;
 - or
 - (ii) where Performance Share Rights have been exercised but no Shares have been issued or transferred following the exercise, the number of Shares, which may be issued or transferred.
- (g) **Lapse** All Performance Share Rights will lapse on the date where performance hurdles have not been satisfied on the test dates determined by the Board.

4.4 Listing Rule Information

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

- (a) a summary of the Awards Plan is set out above. A copy of the awards plan is available to Shareholders free of charge, upon request to the Company Secretary;

- (b) this is the second approval sought under Listing Rule 7.2 Exception 9 with respect to the Awards Plan. Since the Awards Plan was last approved in 2010:
- 2,500,000 Options have been granted pursuant to the Awards Plan;
 - 14,005,000 Performance Share Rights have been granted pursuant to the Awards Plan, of the above securities,
 - 500,000 Options have been cancelled in accordance with their terms;
 - 165,000 Performance Share Rights have been cancelled in accordance with their terms;
 - No Options have been exercised in accordance with their terms;
 - 5,250,000 Performance Share Rights have vested in accordance with their terms; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 4.

RESOLUTIONS 5 AND 6 – GRANT OF PERFORMANCE SHARE RIGHTS TO DR ALISTAIR COWDEN

The Company proposes to issue Performance Share Rights to Dr Alistair Cowden pursuant to the Awards Plan as described above. Dr Cowden faces considerable ongoing responsibilities and challenges in his role within the Company as its Managing Director. The grant of these Performance Rights will provide a long term incentive for outstanding performance and will promote his opportunity for share ownership in the Company.

The initial grant of 1,666,667 Performance Shares Rights, the subject of Resolution 5 will occur as soon as practicable following the Meeting.

The granting of Performance Share Rights under Resolution 6 is subject to ASX granting a waiver to Listing Rule 10.15.2 which provides that the maximum number of securities proposed to be issued must be disclosed to Shareholders. As the number of Performance Share Rights under Resolution 6 is calculated using a formula, the precise number of Performance Share Rights to be granted will not be known until the grant date.

On 1 July 2013 and 1 July 2014 Performance Shares Rights, the subject of Resolution 6 will be issued based on the calculation described below.

$$2 \times \frac{\text{(Total Fixed Remuneration at grant date x 0.45)}}{\text{(20 day VWAP of Shares on ASX to the grant date)}}$$

The formula above is based on advice from an independent remuneration consultant engaged by the remuneration committee.

Overview of Grant of Performance Share Rights

It is proposed the Board be approved to grant Dr Cowden (or his nominees) Performance Share Rights as follows:

Issue Date	Expiry Date	Vesting Date	Performance Conditions	Number of Share Rights
On approval of Resolution 5 of attached Notice of Meeting (Year 1 Performance Share Rights)	1 July 2015	50% – On any date between the grant date and 1 July 2015 if Performance Hurdles are satisfied 50% - On 1 July 2015 if Performance Conditions are satisfied	As set out below	1,666,667
1 July 2013 (Year 2 Performance Share Rights)	1 July 2016	50% – On any date between 1 July 2013 and 1 July 2016 if Performance Hurdles are satisfied 50% - On 1 July 2016 if Performance Conditions are satisfied	As set out below	Determined in accordance with formula set out above
1 July 2014 (Year 3 Performance Rights)	1 July 2017	50% – On any date between 1 July 2012 and 1 July 2017 if Performance Hurdles are satisfied 50% - On 1 July 2017 if Performance Conditions are satisfied	As set out below	Determined in accordance with formula set out above

Vesting

Subject to satisfaction of the Performance Conditions, the earliest date upon which the:

- Year 1 Performance Share Rights can vest is:
 - any date between grant date and 1 July 2015 (50%); and
 - 1 July 2015 (50%);
- Year 2 Performance Share Rights can vest is:
 - any date between 1 July 2013 and 1 July 2016 (50%); and
 - 1 July 2016 (50%) or; and
- Year 3 Performance Share Rights can vest is:
 - any date between 1 July 2014 and 1 July 2017 (50%); and
 - 1 July 2017 (50%),

(each a **Measurement Date**).

The Performance Share Rights will only vest if Dr Cowden is employed at the Measurement Date and the performance conditions set out below have been satisfied. Should the Performance Share Rights vest, for every Performance Share Rights that vest one Share will be issued to Dr Cowden.

Performance Conditions

The Performance Share Rights will vest and convert into Shares on the relevant Measurement Date if the performance Conditions are achieved. The Year 1 Performance Share Rights if approved by Shareholders will be granted with an effective date of 1 July 2012 as the period from which the performance criteria will be assessed. The Year 2 Performance Share Rights will be granted with an effective date of 1 July 2013 and the Year 3 Performance Share Rights will be granted with an effective date of 1 July 2014.

In order for the Year 1 Performance Share Rights to vest, Dr Cowden will need to be the Managing Director at the relevant Measurement Date (1 July 2015) and have satisfied the following Performance Conditions:

Year 1 Performance Share Rights	Measure	Scaling (pro rata between cut in and cut out points)	% of Stretch
833,334 (50%) (Tranche A)	Absolute Total Shareholder Return (TSR) is greater than 15% pa for 3 years from 1 July 2012 to 1 July 2015	Less than 10% pa 10% pa 15% pa 20% pa	0% 25% 50% 100%
416,666 (25%) (Tranche B)	Increase in Outokumpu Ore Reserves to replace production and enable a production rate greater than 550,00tpa	Less than current reserves 120% of current reserves 140% of current reserves 150% of current reserves	0% 25% 50% 100%
416,667 (25%) (Tranche C)	Roseby value realisation of \$150m (for 100%) of the project through one or a combination of sale, partnership, financing or other of all or part of the project	Less than A\$75m of value realised A\$100m of value realised A\$150m of value realised A\$175m of value realised	0% 25% 50% 100%
1,666,667 Total			

The performance conditions for the Year 2 and 3 Performance Share Rights will comprise:

- 50% TSR measure; and
- 50% comprising milestones that are aligned with the delivery of outcomes identified in the Altona's Strategic Plan.

All Performance Share Rights lapse if the Performance Conditions are not satisfied or upon the termination of employment in accordance with the Awards Plan.

5.2 Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E of the Corporations Act, Dr Cowden is considered to be a related party of the Company.

Resolutions 5 and 6 provide for the grant of Performance Share Rights to the Dr Cowden which is a financial benefit which requires shareholder approval.

5.3 Current Holdings

Set out below are details of Dr Cowden's relevant interest in Shares of the Company as at the date of this Notice:

Director	Number of Shares
Alistair Cowden	440,477
Brachelson Pty Ltd as trustee for the Brachelston Superannuation Fund (of which Alistair Cowden is a member)	3,292,857
Drumfrochar Pty Ltd as trustee for the Lynedoch Trust (of which Alistair Cowden is a beneficiary)	4,600,000
Total	8,333,334

Set out below are details of Alistair Cowden's relevant interest in Performance Share Rights of the Company as at the date of this Notice:

Director	Number of Performance Share Rights
Alistair Cowden	1,666,666
Total	1,666,666

Dr Cowden does not have a relevant interest in any Options of the Company.

INFORMATION REQUIREMENTS

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related parties to whom the proposed resolutions would permit the financial benefit to be given:

Subject to shareholder approval (and in the case of Resolution 6, also subject to ASX granting a waiver to Listing Rule 10.15.2), Performance Share Rights will be granted to Dr Cowden or his nominees(s) as set out in section 5.1 of this Explanatory Memorandum.

5.4 The Nature of the Financial Benefit

The proposed financial benefit to be given is the grant of Performance Share Rights for no consideration to Alistair Cowden as noted above.

5.5 Directors' Recommendation

All the Directors were available to make a recommendation. For the reasons noted above, Messrs Maloney, Ingram and Solin and Ms Harris recommend that shareholders vote in favour of Resolution 5 and

Resolution 6. Dr Cowden declines to make a recommendation about Resolution 5 and Resolution 6 as he has a material personal interest in the outcome of those particular Resolutions as it relates to the proposed grant of Performance Share Rights to him or his nominee(s).

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.

The proposed ordinary Resolution 5 and Resolution 6 would have the effect of giving power to the Directors to grant Performance Share Rights on the terms and conditions summarised above.

The Company currently has 527,271,038 listed Shares, 5,256,666 unlisted Performance Share Rights and the following unlisted Options on issue:

Number	Exercise Price	Expiry Date
500,000	\$1.50	27/12/2012
365,000	\$1.50	30/06/2013
2,000,000	\$0.44	18/11/2013

If the Year 1 Performance Share Rights granted as proposed above vest, and assuming all existing Options and Performance Share Rights on issue have been exercised or vested, the effect would be to dilute the share holding of existing Shareholders by 1.85%.

The Company's advisers have valued the Performance Share Rights with market based vesting conditions to be granted to the Participating Directors using the Monte Carlo Model. The value of a Performance Share Right calculated by the Monte Carlo Model is a function of a number of variables. The valuation of the Performance Share Rights has been prepared using the following assumptions:

Variable	Input
Share price	27.5 cents
Exercise price	Nil
Risk Free Interest Rate	2.45%
Volatility	75%
Time (years to expiry)	2.73

The Company's advisers have calculated the value of each Performance Share Right based on the following assumptions:

1. They have based the underlying value of each share in the Company on the ASX closing price of 27.5 cents on 8 October 2012.
2. Risk free rate of return – 2.45% (estimated, based on the risk free rate of Bonds expiring in late 2015).
3. They used a volatility of the share price of 75% as determined from the daily movements in share price over the last one, two and three year periods, adjusted for abnormal trading.

Based on the assumptions, it is considered that the estimated average value of the Performance Share Rights to be granted to the Dr Cowden is 16.8 cents per Tranche A Performance Share Rights and 27.5 cents for the Tranche B and Tranche C Performance Share Rights.

Any change in the variables applied in the Monte Carlo calculation between the date of the valuation and the date the Performance Share Rights are granted would have an impact on their value.

Dr Cowden's current Total Fixed Remuneration is \$A535,000 pa.

Therefore, the full financial benefit to be received by Dr Cowden under Resolution 5 is \$369,166.94 (i.e. 833,334 Performance Share Rights x \$0.168 per Tranche A Performance Share Right and 833,334 Performance Share Rights x \$0.275 per Tranche B and C Performance Share Right).

The number of Year 2 and Year 3 Performance Share Right is not yet known. Based on the formulae set out in Section 5.1 of this Explanatory Memorandum, the number of Year 2 Performance Share Right which may be awarded is based on the 45% of Dr Cowden's Total Fixed Remuneration at the time the Performance Share Rights are granted.

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 8 October 2012.

Highest Price (cents) / Date	Lowest Price (cents) / Date	Latest Price / Date
A\$0.33 / 23 August 2012	A\$0.19 / 22 December 2011	A\$0.275 8 October 2012

5.6 Other Information

Under the Australian Equivalent of IFRS, the Company is required to establish a value of the benefit based on principles set out in Australian Accounting Standards. An element of this value will then be expensed the Company's statement of financial performance for the current financial year. The value attributed to Performance Share Rights by the Australian taxation Office will differ to the value ascribed to the same benefit.

Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Performance Share Rights pursuant to Resolution 5 and Resolution 6.

Neither the Directors nor the Company are aware of other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolutions.

5.7 Listing Rule 10.14

Listing Rule 10.14 requires shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party under an employee incentive scheme. Accordingly, Listing Rule 10.14 requires shareholders to approve the issue of Performance Share Rights under the Awards Plan to Dr Cowden.

For the purposes of Listing Rule 10.15A, the following information is provided to shareholders with respect to Resolutions 5 and 6:

- (a) the Performance Share Rights will be granted to Dr Cowden, the Managing Director, or his nominees, as noted above;
- (b) the maximum number of Performance Share Rights to be granted pursuant to Resolution 5 is 1,666,667; and the number of Performance Share Rights to be granted pursuant to Resolution 6 will be calculated on the relevant grant date in accordance with the formula set out in Resolution 6;

- (c) the Performance Share Rights will be granted for no consideration;
- (d) no funds will be raised by the grant of the Performance Share Rights;
- (e) 500,000 Options have been issued to each non-executive director being, Kevin Maloney, Fiona Harris, Heikki Solin, Peter Ingram and Jason Brewer under the Awards Plan for no consideration. These Options expire on 18 November 2013. Mr Brewer's Options were cancelled when he resigned. 5,000,000 Performance Share Rights have been previously issued to Dr Cowden under the Awards Plan, each such Performance Share Right was issued for no consideration;
- (f) all Directors, or their permitted nominees, are entitled to participate in the Plan but for the purposes of Resolution 5 and Resolution 6 at this time the Company is only seeking to grant Performance Share Rights to Dr Cowden;
- (g) details of any securities issued under the Awards Plan will be published in each Annual Report of the Company relating to a period in which securities have been issued. Any additional persons who become entitled to participate in the Awards Plan and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14; and
- (h) the Performance Share Rights will be granted on a date, being no later than 3 years after the date shareholder approval is obtained for Resolution 5 and Resolution 6.

GLOSSARY

In this Explanatory Memorandum and Notice of Meeting:

“**Altona**” or “**Company**” means Altona Mining Limited ACN 090 468 018;

“**ASX**” means ASX Limited ABN 98 008 6 24 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

“**Awards Plan**” means the plan for the provision of long term incentives to executives and employees of the Company at all levels and is comprised of Part A with respect to the issue of Options and Part B with respect to the issue of Performance Rights;

“**Board**” means the board of Directors;

“**Corporations Act**” means the Corporations Act 2001 (Cth);

“**Directors**” means Directors of the Company;

“**Explanatory Memorandum**” means this information attached to the Notice, which provides information to Shareholders about the resolutions contained in the Notice;

“**Group Company**” means a company being either the Company or any Subsidiary from time to time;

“**IFRS**” means International Financial Reporting Standards;

“**Key Management Personnel**” means key management personnel having authority and responsibility for planning, directing, and controlling the activities of Altona, either directly or indirectly;

“**Listing Rules**” means the listing rules of ASX;

“**Meeting**” means the general meeting the subject of the Notice;

“**Notice**” or “Notice of Meeting” means the notice of general meeting which accompanies this Explanatory Memorandum;

“**Option**” means an option to acquire a Share;

“**Performance Share Right**” means the right to receive a Share for nil consideration in accordance with the terms of the Awards Plan;

“**Share**” means a fully paid ordinary share in the capital of the Company;

“**Shareholder**” means a holder of Shares;

“**Specified Reason**” means retirement, total and permanent disablement, redundancy or death;

“**Subsidiary**” means a body corporate which is a subsidiary of the Company within the meaning of section 9 of the Corporations Act; and

“**WST**” means Australian Western Standard Time.