



ACN 095 684 389

## NOTICE OF GENERAL MEETING

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**TIME:** 11:00am (WST)

**DATE:** 21 December 2012

**PLACE:** Level 4, 66 Kings Park Road  
WEST PERTH WA 6005

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

*Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on +61 (0) 8 6141 3500.*

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**IMPORTANT INFORMATION**

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**TIME AND PLACE OF MEETING**

Notice is given that the general meeting of the Shareholders to which this Notice of General Meeting relates will be held on Friday, 21 December 2012 at 11:00am (WST) at the Level 4, 66 Kings Park Road, West Perth, Western Australia.

**YOUR VOTE IS IMPORTANT**

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

**VOTING ELIGIBILITY**

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the general meeting are those who are registered Shareholders at 4:00pm (WST) on 19 December 2012.

**VOTING IN PERSON**

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

**VOTING BY PROXY**

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

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

- each member has a right to appoint a proxy;
- the proxy need not be a member of Frontier; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

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

## **PROSPECTUS**

The Corporations Act restricts the Company from disposing of the Torque Shares to Shareholders within 12 months of their issue, by way of the proposed Capital Reduction, without the Company issuing a prospectus. In addition, the Corporations Act restricts the Shareholders from on-selling the Torque Shares acquired by them as part of the Capital Reduction, within 12 months after receiving them under the Capital Reduction, without the Company issuing a prospectus in respect of the Torque Shares transferred to Shareholders as part of the Capital Reduction.

In addition, under applicable ASIC guidelines, the invitation to Shareholders to vote on Resolution 1 of the Notice of Meeting constitutes an “offer” to transfer Torque Shares to Shareholder pursuant to a Capital Reduction. Therefore, under applicable ASIC guidelines, the Prospectus prepared by the Company accompanies this Notice of Meeting and Explanatory Statement. The Prospectus contains information in relation to Torque. **The Company recommends that all Shareholders read the Prospectus carefully and in conjunction with this Notice of Meeting and Explanatory Statement.**

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on Resolution 1 other than as disclosed in this Notice of Meeting and Explanatory Statement, the accompanying Prospectus. Shareholders should note that this Notice of Meeting and Explanatory Statement is not a prospectus lodged under Chapter 6D of the Corporations Act.

## **ASIC AND ASX**

A final copy of this Notice of General Meeting and Explanatory Statement and the Prospectus has been lodged with ASIC and ASX. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this document or the Prospectus.

**Dear Shareholder**

**General Meeting Required to Approve the Capital Reduction and Additional Resolutions**

I am pleased to enclose a Notice of General Meeting and Explanatory Statement for the General Meeting of Frontier Resources Ltd to be held on Friday, 21 December 2012 at 11:00am (WST) at Level 4, 66 Kings Park Road, West Perth, Western Australia.

**As you will be aware, Frontier announced on 30 April 2012 that it had demerged its Tasmanian Projects to Torque Mining Limited, which is currently 65.6% owned by Frontier Resources Ltd.**

**Torque has acquired a 90% interest in 8 tenements in Tasmania from Frontier (Tasmanian Projects) and the key aspects of the transaction proposed for Shareholder approval in this Notice are:**

- (a) **Torque has issued 40,000,000 of its fully paid ordinary shares (Torque Shares) to Frontier, as consideration for the acquisition of the Tasmanian Projects.**
- (b) **Frontier Resources Ltd will receive 10% free carried interests to completion of bankable feasibility studies on 6 tenements from Torque** (all tenements except the SMRV Project) and Torque will assume Frontier's 10% free carried obligation to Exploration & Management Consultants Pty Ltd on 2 Exploration Licences (the SMRV Project).
- (c) **Frontier will seek to distribute 30,000,000 of its Torque Shares via an in specie distribution to Frontier Shareholders** (who will receive a proportional number of Torque Shares relative to their shareholding in Frontier and subject to fractional entitlements being rounded down to the nearest whole Torque Share, with any surplus Torque Shares resulting from that rounding down will be retained by Frontier).

Accordingly, at the General Meeting **Frontier is seeking Shareholder approval for a significant resolution being Resolution 1**, relating to the proposed in specie distribution to Frontier's Shareholders of the Torque Shares which will be effected through an equal capital reduction of Frontier's share capital pursuant to Section 256C of the Corporations Act (**Capital Reduction**).

**The Notice also contains resolutions for other general matters.** Further information in relation to the Capital Reduction Resolution and other Resolutions to be considered at the General Meeting is set out in the **enclosed** Notice of General Meeting and Explanatory Statement.

Section 1.4 in the enclosed Notice of General Meeting and Explanatory Statement discuss the merits of the Capital Reduction. I summarise the rationale for the demerger below:

- 1. The Directors believe it will provide greater value to Shareholders, partly by way of the in specie distribution of Torque shares.
- 2. The potential upside of Torque's operations would not be realised without the demerger.
- 3. The demerger allows better focus on the Tasmanian projects with separate dedicated, experienced management.
- 4. The demerger will allow Frontier and its management to focus on its Papua New Guinea operations and its joint ventures with Ok Tedi and Newcrest.

As noted in Section 1.5 failure to achieve the Capital Reduction would mean Frontier would continue to have to fund the Tasmanian Projects. This could be difficult for Frontier in view of budget constraints and could result in the Company not being able to retain some or all of the Tasmanian projects.

I note that Directors and senior management of Frontier have shown their confidence in Torque by subscribing for seed capital. Directors and management (and their associates) of Torque and Frontier have subscribed for 9,360,000 shares at a cost of \$468,000. No Director or any other person has received free shares in Torque.

Bob McNeil (see Section 2.7(a)) has joined the Torque Board as Managing Director. Bob has more than 50 years' experience in exploration, development, feasibility and mine management and the Board is very pleased he has accepted this role. Bob is supported by Grant MacDonald as Exploration Manager and Lisa Hartin as Chief Financial Officer –both very experienced in their fields, with 20 plus years' experience.

**Frontier's Directors encourage you to read the enclosed Notice of General Meeting, Explanatory Statement as it sets out the Capital Reduction in detail.**

You are encouraged to attend and vote in relation to Frontier's General Meeting. If you are unable to attend the General Meeting, a copy of your proxy form is **enclosed**. Please complete it by filling out your voting preference, and lodging it in the specified manner by the specified date.

Sincerely

A handwritten signature in dark ink, appearing to read 'P. McNeil', written in a cursive style.

**Peter McNeil M.Sc.  
Chairman and Managing Director  
FRONTIER RESOURCES LTD**

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**KEY DATES AND INDICATIVE TIMETABLE**

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Subject to the ASX Listing Rules and Corporations Act requirements, Frontier anticipates completion of the Capital Reduction in accordance with the following indicative timetable (which is subject to change by Frontier):\*

|   |                                   |
|---|-----------------------------------|
| Company announces the Capital Reduction   | 30 April 2012                     |
| Cut off for lodging proxy form for the General Meeting  | 11:00am (WST) on 19 December 2012 |
| Snapshot date for eligibility to vote at the General Meeting  | 4.00pm (WST) on 19 December 2012  |
| General Meeting to approve the Capital Reduction  | 11:00am (WST) on 21 December 2012 |
| ASX informed of Shareholder approvals   | 21 December 2012                  |
| Trading in Shares on an “ex return of capital” basis<br>(Shares trade on ASX without an entitlement to participate in<br>the Capital Reduction) | 27 December 2012                  |
| Record Date   | 3 January 2013                    |
| Capital Reduction of Torque Shares to Shareholders*   | 9 January 2013                    |
| Despatch of confirmation of issue of Torque Shares to<br>Shareholders and ASX announcement by Company of<br>completion of Capital Reduction*    | 9 January 2013                    |

\*These dates are indicative only and may change without prior notice to Shareholders

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – EQUAL REDUCTION OF CAPITAL AND IN SPECIE DISTRIBUTION

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

*“That, subject to passing Resolution 5 at the Frontier Annual General Meeting, for the purposes of Sections 256C(1) of the Corporations Act and for all other purposes, Shareholder approval is given for, the net assets of Frontier to be reduced by Frontier making a pro rata in specie distribution of 30,000,000 Torque Shares to all eligible holders of Frontier’s Shares and in respect of the Frontier Shares on issue as at the Record Date and otherwise on the terms and conditions set out in the Explanatory Statement.”*

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#### 2. RESOLUTION 2 – ISSUE OF OPTIONS TO RELATED PARTY – MR PETER MCNEIL

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 10.11 and for all other purposes, approval is given for the Company to allot and issue 10,000,000 Options to Mr Peter McNeil (or his nominee/s) on the terms and conditions set out in the Explanatory Statement.”*

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

**Voting Prohibition Statement:**

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

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

However, the above prohibition does not apply if:

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

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#### 3. RESOLUTION 3 – ISSUE OF OPTIONS TO RELATED PARTY – MR WARREN STAUDE

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 10.11 and for all other purposes, approval is given for the Company to allot and issue 2,000,000 Options to Mr Warren Staude (or his nominee/s) on the terms and conditions set out in the Explanatory Statement.”*

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

**Voting Prohibition Statement:**

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

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

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and

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

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**4. RESOLUTION 4 – ISSUE OF OPTIONS TO RELATED PARTY – MR HUGH SWAIN**

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 10.11 and for all other purposes, approval is given for the Company to allot and issue 2,000,000 Options to Mr Hugh Swain (or his nominee/s) on the terms and conditions set out in the Explanatory Statement.”*

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

**Voting Prohibition Statement:**

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

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

However, the above prohibition does not apply if:

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

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**5. RESOLUTION 5 – ISSUE OF OPTIONS TO RELATED PARTY – MR GRAHAM FISH**

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 10.11 and for all other purposes, approval is given for the Company to allot and issue 2,000,000 Options to Mr Graham Fish (or his nominee/s) on the terms and conditions set out in the Explanatory Statement.”*

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

**Voting Prohibition Statement:**

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

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

However, the above prohibition does not apply if:

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

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**6. RESOLUTION 6 – ISSUE OF OPTIONS TO RELATED PARTY – MR MARTIN OTWAY**

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 10.11 and for all other purposes, approval is given for the Company to allot and issue 2,000,000 Options to Mr Martin Otway (or his nominee/s) on the terms and conditions set out in the Explanatory Statement.”*

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



**Voting Prohibition Statement:**

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

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

However, the above prohibition does not apply if:

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

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Dated: 9 November 2012

By Order of the Board

Ms Julia Beckett  
COMPANY SECRETARY

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## EXPLANATORY STATEMENT

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

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### 1. BACKGROUND TO THE CAPITAL REDUCTION RESOLUTION

#### 1.1 Background

As announced to ASX on 30 April 2012, Frontier proposed to restructure its assets through the sale of a 90% interest in 8 tenements located in Tasmania (**Tenements or Tasmanian Projects**) to Torque in consideration for being issued 40,000,000 Torque Shares, and agreeing to free carry Frontier to completion of a bankable feasibility study in respect of those Tenements.

A formal tenement sale agreement was entered into on 18 September 2012 and is summarised at Section 2.13(b).

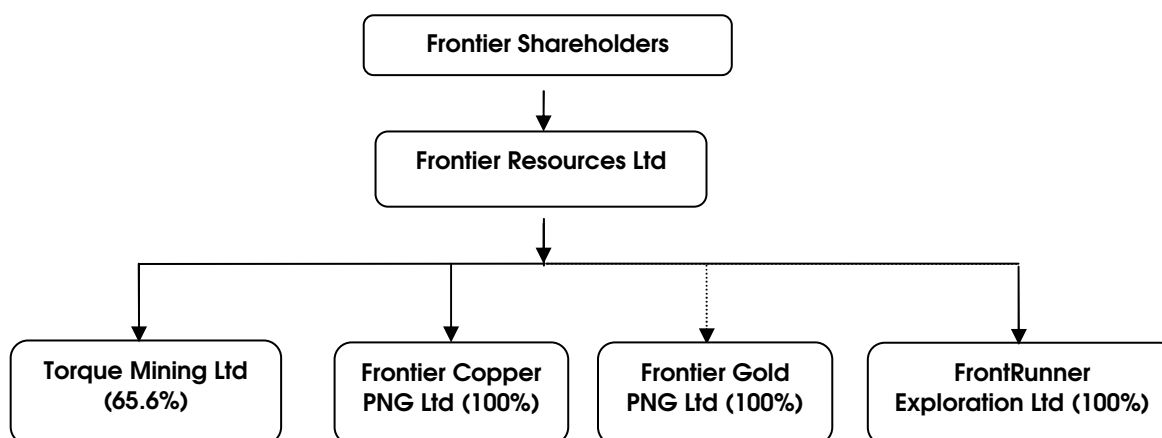
Subject to approval of Resolution 1, Frontier will conduct a pro-rata in specie distribution of 30,000,000 Torque Shares to its Shareholders. The Torque Shares will be distributed to all Eligible Shareholders and in respect of the Shares on issue as at the Record Date. Fractional entitlements will be rounded down. Frontier will retain 10,000,000 Torque Shares, in addition to the 2 Torque Shares previously held by Frontier, as well as any surplus Torque Shares as a result of the rounding down of fractional entitlements.

Based on the capital structure of Frontier as at the date of this Notice, the number of Torque Shares each Shareholder will receive is 1 Torque Shares for every 10.118 Frontier Shares held by the Shareholder. The ratio of Torque Shares distributed will be reduced for changes to the capital structure of Frontier up until the Record Date (e.g. through the issue of new Shares from the exercise of Frontier Options).

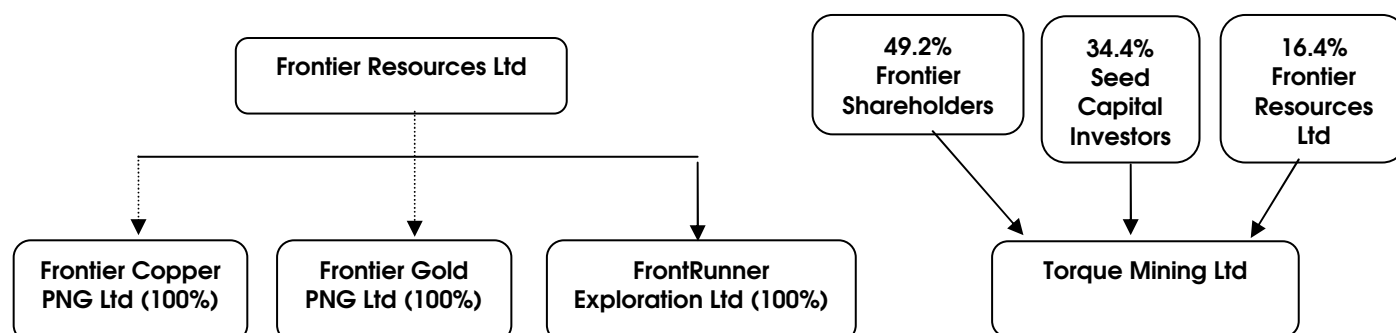
Full details in relation to the Torque Shares and the rights attaching to them are outlined in Section 2.14.

#### 1.2 Effect of Capital Reduction

As at the date of this Notice, the structure of Frontier and Torque is as follows:



In the event that Resolution 1 is passed, the structure of Frontier and Torque will be as follows:



### 1.3 Rationale for the Capital Reduction

The Directors are of the view that disposing of a 90% interest in each of the Tenements is in the best interests of the Shareholders because Frontier believes it will be able to provide greater value to the Shareholders through the proposed demerger. In this regard, the Directors believe that Shareholders will be able to participate in the potential upside of Torque's operations which would not be realised without the demerger. The Directors also consider that the demerger should allow for a better focus on the development of the Tasmanian Projects, whilst Frontier continues to develop its remaining operations in Papua New Guinea.

Shareholders of Frontier will continue to have a direct interest in the Tasmanian Projects by way of the in specie distribution of Torque Shares. A summary of the advantages and potential disadvantages of the Capital Reduction is outlined in Section 1.4.

Subject to approval of Resolution 1, the Capital Reduction will be implemented in accordance with the timetable set out at the commencement of this Notice.

### 1.4 Advantages and Disadvantages of the Capital Reduction

The principal advantages and disadvantages to Shareholders of the Capital Reduction are as follows:

#### Advantages

- (a) Shareholders will retain a direct interest in the development of the Tasmanian Projects through their individual pro rata shareholding in Torque, as well as through their interest in Frontier (as Frontier will retain an approximate 16.4% interest in Torque and a 10% free carried interest in the Tenements).
- (b) The demerger may be able to extract additional value for Shareholders. The demerger of the Tasmanian Projects should allow for a better focus on the advancement of the Tasmanian Projects, whilst Frontier continues to develop its projects in Papua New Guinea and will mean that both Frontier and Torque will have a primary focus that will not be affected by events or occurrences relating to the other projects held by Frontier.
- (c) The demerger provides Shareholders with greater flexibility in respect of their investment portfolio. Following the Capital Reduction Shareholders should be able to better manage their levels of exposure to each company. That is, Shareholders will hold Frontier's Shares and separate Torque Shares following the Capital Reduction and, therefore, will be able to decide, on an individual basis, if they wish to hold or sell their interest in Torque and/or Frontier.

#### Disadvantages

- (a) There is no guarantee that the Torque Shares will increase in value. It is possible that the collective value of the Shareholders' interests in Frontier's Shares and Torque Shares will decrease. As the Torque Shares are not quoted on a stock exchange, they are not liquid or readily tradeable.
- (b) Torque may need to obtain future equity or debt funding for its operations. Any additional equity financing will dilute Torque's shareholders' equity, and debt financing, if available, may involve restrictions on financing and operating activities. If Torque is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that Torque will be able to secure any additional funding or be able to secure funding on terms favourable to itself.
- (c) Shareholders may incur additional transaction costs if they wish to dispose of the new investment in Torque (i.e. brokerage).
- (d) There is a taxation consequence in respect of the distribution of the Torque Shares to the Shareholders. Details of the general taxation effect of the transaction are set out in Schedule 3.

### 1.5 Failure to approve the Capital Reduction

In the event that Shareholder approval for the Capital Reduction is not obtained it will not proceed and Frontier would retain its interest in Torque, and its indirect interest in the Tasmanian Projects. The costs associated with maintaining the Tasmanian Projects will continue to be governed and funded pursuant to Frontier's current operations and budgets. There could be severe consequences if the Capital Reduction is not approved by Shareholders. In the absence of additional financing, Frontier would be required to alter its development and mining plans by reducing the scope of its operations and scaling back its exploration programmes which may, in turn, adversely affect the Company's operations. Specifically, Frontier, with its present funding, would not be able to retain all projects and would be likely to default on several of its lower priority Tenements.

Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. There is however no guarantee that Frontier will be able to secure any additional funding or be able to secure funding on terms favourable to the Frontier. Specifically, the Frontier Board believes obtaining additional financing will be more difficult whilst the focus of Frontier is split between its assets in Papua New Guinea and its assets in Tasmania compared to separate sole focused entities.

## **2. OVERVIEW OF TORQUE**

### **2.1 General**

Torque was incorporated on 20 March 2012 for the primary purpose of evaluating and securing investment opportunities in the resources sector suitable for a public company with the aim of discovering commercially significant minerals deposits in Tasmania, Australia.

Torque's primary exploration focus will be on gold, base metals, silver, tin and tungsten with the Tasmanian Projects acquired, but it may also review the potential for the acquisition of additional gold, base metals, silver, tin and tungsten projects and will also continue to evaluate investment opportunities in various other commodities in Tasmania and Australia.

### **2.2 Business Model – Exploration Company**

At the date of this Notice, Torque has no income producing assets and will generate losses for the foreseeable future. Torque and Frontier however signed a Joint Venture Agreement with BCD Resources NL in regards to the possible future mining and prospecting of the Stormont gold-bismuth deposit in central northern Tasmania.

A summary of the material terms of the joint venture agreement is set out at Section 2.13(c).

In the medium term after completing the Capital Reduction, Torque intends to implement a feasibility study for gold production from the Narrawa resource, either as a standalone operation or by toll milling.

Further detail on the Tenements is set out in Section 2.9 and Schedule 2.

### **2.3 Objectives**

Torque's main objectives on completion of the Capital Reduction are to create shareholder value through:

- (a) developing the Stormont Deposit in Joint Venture with BCD Resources NL and their Beaconsfield plant.
- (b) advancing a program to explore and develop all the Tenements, but particularly the Moina Project;
- (c) conduct exploratory and resource definition drilling on the Tenements to define mineral resources;
- (d) evaluate other prospective resource projects in Australia that have potential to contribute to Torque's growth.

### **2.4 Torque Shares**

The Torque Shares are highly speculative. Please refer to Section 2.12 for further details as to the risks associated with an investment in Torque.

### **2.5 Capital Structure**

The capital structure of Torque following completion of the Capital Reduction is summarised below:

|   | <b>Number</b>     |
|---|-------------------|
| Torque Shares to be retained by Frontier  | 10,000,002        |
| Torque Shares to be issued to Frontier Shareholders pursuant to the Capital Reduction | 30,000,000        |
| Torque Shares issued as seed capital (at 5 cents per Torque Share)                    | 20,940,000        |
| <b>Total Torque Shares on completion of the Capital Reduction</b>                     | <b>60,940,002</b> |

#### **Notes:**

Frontier may retain additional Torque Shares as a result of rounding down of fractional entitlements to the in specie distribution.

Torque Shares issued as seed capital were issued to both unrelated and related party investors. At the time of issue Torque had only one shareholder (Frontier), whose directors not participating in the capital raising considered the participation of related parties to be on arm's length terms on the basis those parties would be subscribing on the same terms as unrelated parties. As such, no shareholder approval was sought.

Torque has resolved subject to obtaining all necessary shareholder approvals to issue a total of 4,000,000 Torque Options (exercisable at \$0.30 on or before that date which is 5 years from the date of issue) to the Torque Directors. No meeting has yet been scheduled.

## **2.6 Torque's financial position upon completion of the Capital Reduction**

There will be no change to Torque's financial position upon completion of the Capital Reduction as the only change will be to the ownership structure. A pro-forma statement of financial position on completion of the Capital Reduction is set out in Schedule 1.

## **2.7 Torque Directors and Key Personnel**

### **(a) Robert McNeil – Managing Director**

Mr Robert McNeil, BSc (Honours), MSc graduated University of Tasmania He has more than 50 years' experience in exploration and mining, including feasibility studies and mine management. He has worked in many countries, with substantial experience in Tasmania.

Mr McNeil commenced work at Tennant Creek where he participated in most discoveries by Peko Wallsend. He was Exploration manager in WA for Kennecott, in SW USA for UNOCAL, and General Manager for Exxon Minerals in PNG. He was previously Managing Director for Macmin Silver, and Chairman of both New Guinea Gold Corp and Coppermoly Ltd

### **(b) Peter McNeil – Non-Executive Chairman**

Mr Peter McNeil is a graduate from the University of Houston, Texas B.Sc. (1982) and M.Sc. (Geochemistry-1985). Peter has 30 years continuous professional post-graduate mineral exploration industry experience, with 27 of those in Papua New Guinea (including the Lihir gold Deposit). He has also explored and personally acquired properties in Tasmania, and also worked in WA's Kimberley and NE Goldfields, Arizona (USA) and Newfoundland.

Peter was consultant site supervisory geologist on the 'discovery' holes for both the Sunrise Dam and Ninary gold ore bodies in WA, which were largest gold discoveries in Australia during the 1990's totalling about 20 million ounces combined. He has 19 years corporate and managerial experience as a Chairman, Managing Director, Director, and President associated with several ASX and TSX-V listed companies that operated in Australia and Papua New Guinea. He is the principal of a private mineral exploration consultancy (Exploration & Management Consultants Pty Ltd), which has provided a varied range of exploration and corporate services to the minerals exploration industry for the past 21 years.

### **(c) Jay Stephenson – Non-Executive Director**

Mr Jay Stephenson has been involved in manufacturing and business development for 21 years including the past 15 years as Director, Chief Financial Officer and Company Secretary in both Australia and Canada for various listed and unlisted entities in resources, manufacturing, wine, hotels, and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

Jay is currently Non-Executive Chairman of Quintessential Resources Limited, and a non-executive Director of Doray Minerals Ltd, Drake Resources Ltd, Aura Energy Limited, Strategic Minerals Corporation NL, Parker Resources NL, Spencer Resources Limited, and Nickelore Limited. Jay is also Company Secretary of a number of ASX listed companies. Mr Jay Stephenson holds a Master of Business Administration (UK), is a Fellow of Certified Practising Accountants (Australia), is a Certified Management Accountant (Canada), is a Fellow of the Australian Institute of Chartered Secretaries and a Member of the Australian Institute of Company Directors

### **(d) Graham Fish – Non-Executive Director**

Mr Graham Fish graduated B Sc. (Geology, Chemistry) in 1958, Dip. Ed. in 1961 and M Ed. in 1980 from the University of Tasmania. He worked as a teacher of Geology and Chemistry in Tasmanian Education Department Colleges before promotion into administrative roles from 1973.

Mr Fish has over 40 years of management skills and has extensive experience in administration and education development in Tasmania. He has a background in geology and has chaired committees on both national and State school curriculum and assessment boards.

(e) **Grant McDonald – Exploration Manager**

Grant has B Sc. (Hons.) from the University of Tasmania and 21 years' experience as a hands on geologist in grass roots exploration, resource geology and mining, predominantly within Tasmania. In the 1990's Grant managed Plutonic and Resolute's exploration in the Mt Read Volcanics for VHMS and porphyry Cu+Au and mesothermal Au. He then worked at the Beaconsfield gold mine for over 10 years as Exploration Geologist and later Senior Mine Geologist.

At Beaconsfield Grant was responsible for following and extending the resource at depth as well as overseeing the underground mining geology in this structurally controlled orebody. Prior to joining Frontier, Grant was a Senior Exploration geologist for Bass Metals exploring around Hellyer/Que River and south of Henty. Grant has had considerable experience in the Mt Read Volcanics, having worked at or on most deposits at some time, and Tasmanian geology in general. He is highly motivated for a discovery in his home state.

(f) **Lisa Hartin – Chief Financial Officer & Company Secretary**

Lisa has Bachelor of Business from Griffith University (1992) and 20 years accounting experience, all in the exploration and mining industry. Lisa was Accountant/Chief Accountant for Macmin Silver Limited for 17 years and Chief accountant / Chief Financial Officer for New Guinea Gold Corporation (TSX-Venture Exchange) for 3 years until February 2012. Throughout her career Lisa, has focussed on exploration and mining accounting, financial accounting and administration including all aspects of corporate, compliance and ASX listed accounting.

## 2.8 Torque Director interests

Torque has paid no remuneration to its Board since incorporation to the date of this Notice and Directors will not be remunerated while Torque remains an unlisted company. For each of the Torque Directors, the proposed annual remuneration (exclusive of statutory superannuation where applicable) following the approval of the Capital Reduction, together with the relevant interest of each of the directors in the securities of Torque **as at the date of this Notice of General Meeting** is set out in the table below. No remuneration will be paid or accrue while Torque remains an unlisted company.

| Role                   | Name           | Remuneration | Torque Shares |
|------------------------|----------------|--------------|---------------|
| Managing Director      | Robert McNeil  | \$170,000    | 5,000,000     |
| Non-Executive Director | Graham Fish    | \$40,000     | 200,000       |
| Non-Executive Director | Jay Stephenson | \$40,000     | 560,000       |
| Non-Executive Chairman | Peter McNeil   | \$60,000     | 400,000       |

Torque has resolved subject to obtaining all necessary shareholder approvals to issue a total of 4,000,000 Torque Options (exercisable at \$0.30 on or before that date which is 5 years from the date of issue) to the Torque Directors, comprising 2,000,000 to Peter McNeil and 1,000,000 each to Graham Fish and Jay Stephenson. No meeting has yet been scheduled.

Torque is not party to any other related party transactions.

## 2.9 Project Overview

Frontier has carried out significant drilling, geochemical and geophysical surveys on both the Moina and SMRV Projects and Inferred and Indicated Mineral resources have been defined at the Moina Project.

Tasmania, since the late 1800's, has had a significant, and at times a major mining industry with large, copper-gold, zinc-lead-silver-tin mines and various large gold and base metal and tungsten mines. The Mt Lyell Mine (approximately 50km north of Frontier's SMRV project) is the largest continually operational mine in Australia, producing copper and gold nearly continuously for 100 years.

### **Moina Project (EL 29/2009 – Cethana; 42/2010 – Stormont or River Lea; RL 3/2005 – Narrawa) (Torque 90%)**

Moina is Torque's principal project. Frontier has already completed 134 drill holes totalling 6,144 metres (as at 25th April 2012); extensive geochemical sampling; a large scale 3D Induced Polarisation Survey (3D IP); reprocessed an existing helicopter borne aeromagnetic survey and reviewed earlier electromagnetic and geochemical data collected by previous explorers.

Projects are at the development stage and exploration is advanced – the project is not grassroots. Mineral Resources have been estimated at two prospects, Stormont and Narrawa, both skarn related deposits. Stormont is a near

surface gold-bismuth deposit with excellent potential to increase resources by defining similar systems nearby or under basalt cover. Narrawa is the project name for a number of previously named prospects such as Higgs and Narrawa Reward. Narrawa is a near surface gold, silver, lead, zinc, tungsten and tin system with excellent potential to increase resources in the nearby vicinity of the present resource.

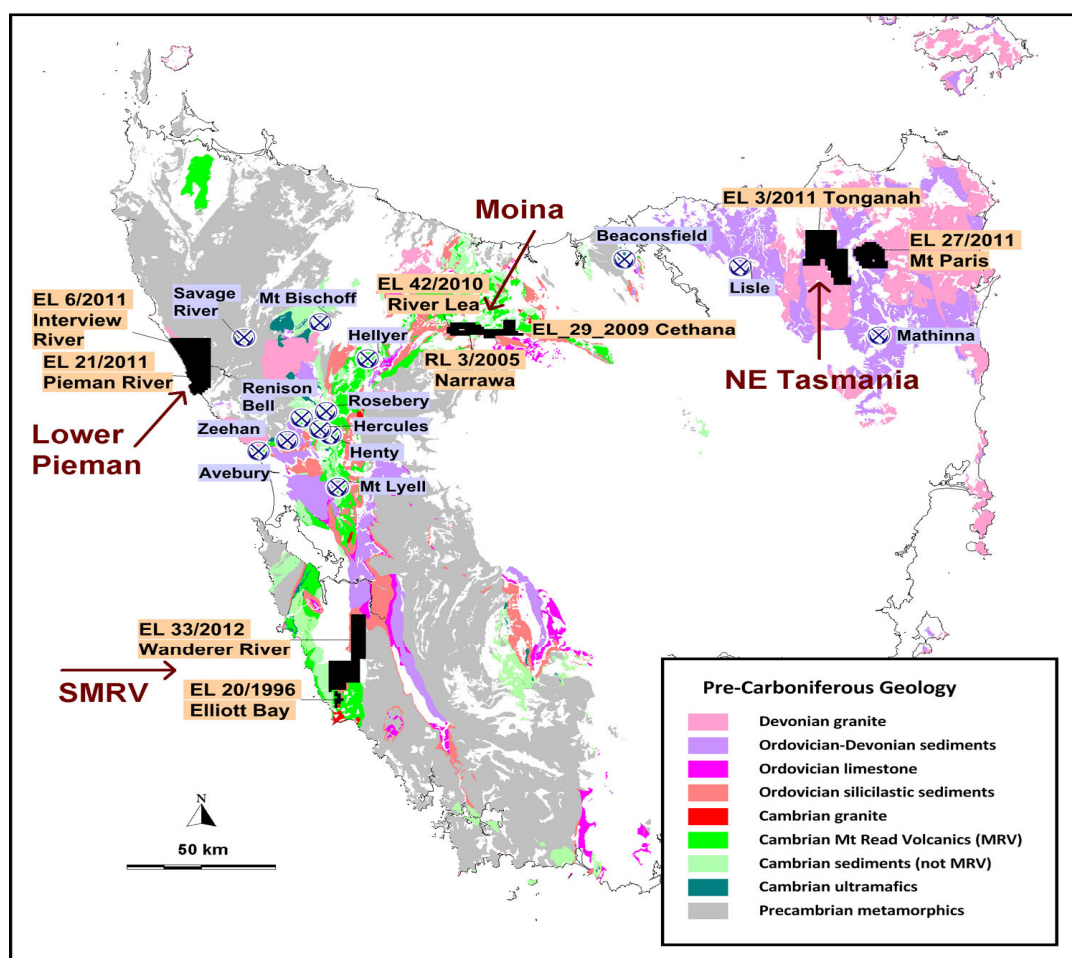
Recent 3D IP and geochemical surveys evaluated with historic aeromagnetic data all strongly suggest that other deposits similar to Stormont and Narrawa will be defined by further exploration. The data also demonstrates a strong possibility to define large disseminated gold systems and/or replacement type tin and tungsten systems.

The combined total Indicated Mineral Resource at the Stormont and Narrawa prospects is 313,600 at 2.49g/t gold plus credits in bismuth, silver, lead and zinc. In addition to the total Indicated Mineral Resource there is an additional Inferred Mineral Resource at Narrawa. The Stormont and Narrawa systems have excellent access, no known environmental restrictions (other than normal environmental requirements) and would be predominantly open pit-able (Figure 2).

The individual project resources are: Stormont-Indicated Mineral Resource of 150,800t at 2.89g/t gold + 0.17% bismuth for 14,011ozs gold + 256.0 tonnes of bismuth.

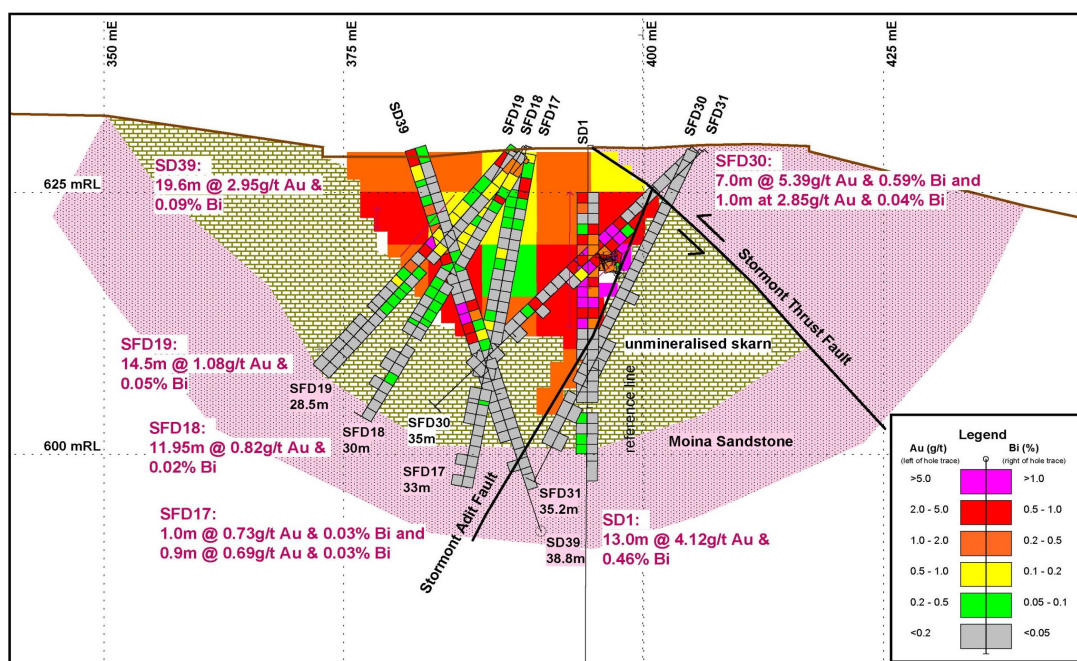
The Narrawa-Indicated Mineral Resource 162,800t at 2.11g/t gold + 1.42% lead + 1.20% zinc + 20.6g/t silver for 11,040ozs gold + 2,311t lead + 1,953t zinc + 107,288ozs silver. Narrawa-Inferred Mineral Resource of 46,570 t at 2.07g/t gold + 0.98% lead + 0.81% zinc + 16.0g/t silver for 3,100ozs gold + 460t lead + 380t zinc + 23,960ozs silver.

Exploration by Torque at the Moina Project, in view of the positive 3D IP, aeromagnetic and geochemical results may substantially increase the above resources. A very positive aspect is that many drill holes within the known resources have excellent grades and contain significant metals in addition to gold including minerals such as bismuth, silver, zinc, lead and molybdenum.



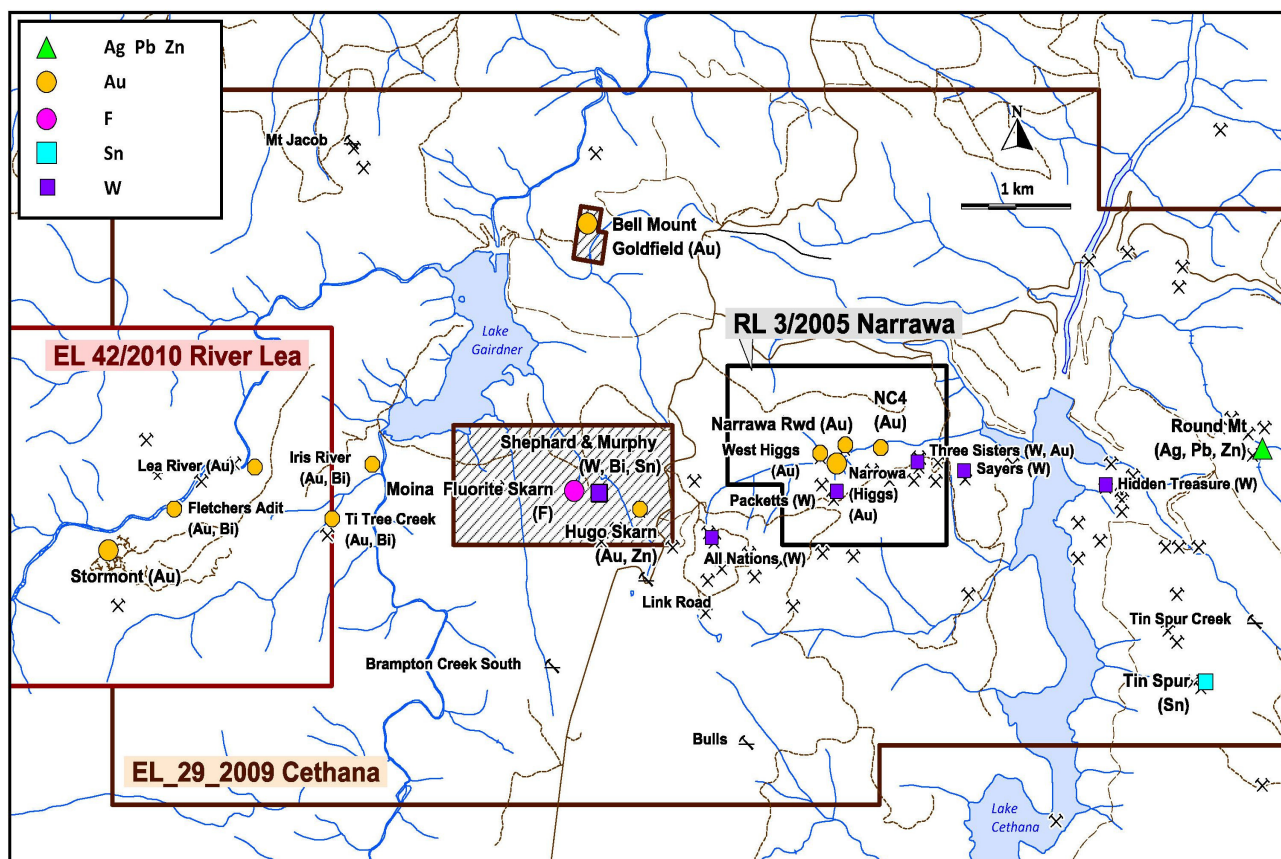
**Figure 1.** Mineral Resources Tasmania geological plan showing the location of Torque's Tasmanian tenements.





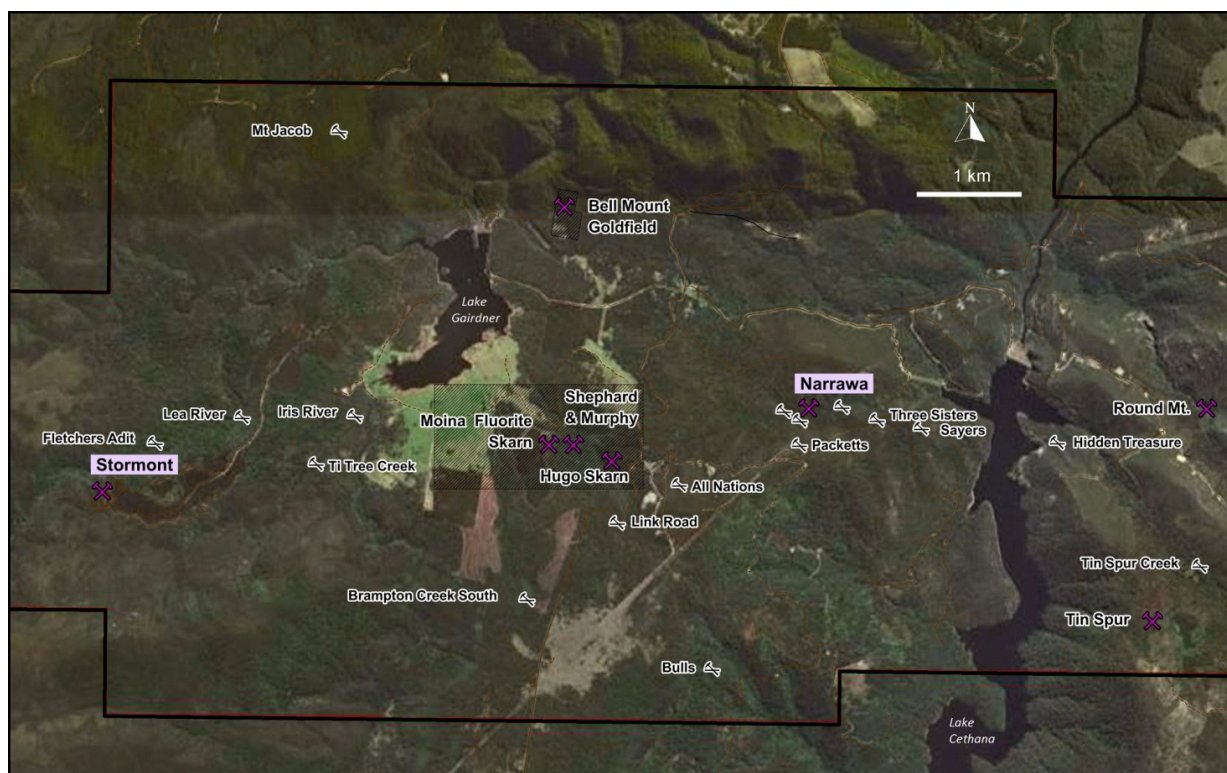
**Figure 2.** Cross section through the Stormont Gold-Bismuth Deposit showing drill traces and interpreted gold mineralised zones

The Moina Exploration and Retention Licences cover 121sq kms and have more than 70 defined prospects according to Mineral Resources Tasmania (MRT). Prospects and licence boundaries are shown on Figure 3. Mineralisation is related to a major intrusive named the Dolcoath Granite and exhibits, in some parts, classic zonation of metals from tungsten, tin and molybdenum near to the granite to lead, zinc, silver, gold and bismuth more distal from the granite.



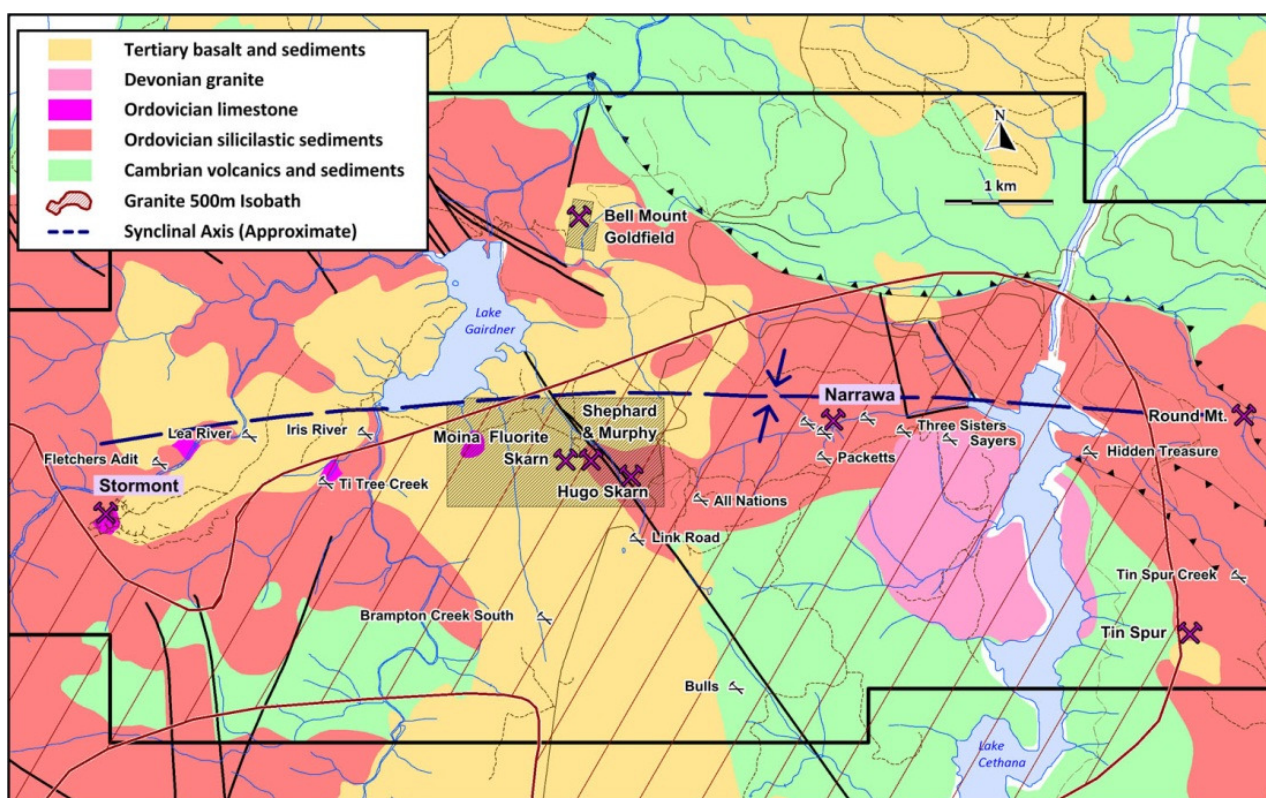
**Figure 3.** Torque's Moina Project Exploration and Retention Licences, showing a 2 sq km striped and excised block that contains the Moina Fluorspar and other deposits. Historic mines, workings and prospects are shown labelled by the relevant commodities, from the Mineral Resources Tasmania database.





**Figure 4.** Google Earth image showing the location of prospects and historic mine workings within Torque's Moina Project area. The 2 sq km darker green area (in the centre of the EL) is the excised block.

Geologists with MRT have suggested in print that the granite is a gold exploration target for large disseminated gold deposits such as Pogo and Fort Knox. The Dolcoath Granite crops out in the south central part of the project area and is interpreted to underlie it at depths of less than 500m, (i.e.: it underlies much of the project area). Figure 4 shows a Google earth image of the project area and Figure 5 the generalised geology that illustrates that Tertiary basalt (much younger than the mineralisation) overlies much of the project area and obscures any possible mineralisation. The thin cover of basalt obscured much of the project area from earlier prospecting and has prevented discovery of any underlying (but near to surface) mineralisation of any style.



**Figure 5.** Mineral Resources Tasmania geological plan showing the location of prospects and historic mine workings within Torque's Moina Project area. The 2 sq km highlighted area (in the centre of the EL) is the excised block.

Much of the mineralisation known in the project area is hosted in skarn, or is replacement related; that is, mineralisation that is genetically related to the intrusion of the Dolcoath granite has replaced calcareous sediments or limestone in the sedimentary sequences above the granite contact. Fluids, with mineralisation, are thought to have moved up and outwards from the granite along structures until they encountered such sediments, where they then formed mineral deposits. Thus calcareous sediments, limestone (and similar rocks) plus deep penetrating structures (conduits for mineralisation) are all very important in the exploration process at Moina.

In addition to the resources quoted above at Stormont and Narrawa, in the central part of the project area, in a small retention licence held by TNT Mines Ltd, is a large fluorite (plus other metals) skarn called Moina Fluorite Skarn. This deposit, according to TNT Mines prospectus dated 11 November 2011 "is potentially one of the largest undeveloped fluorspar deposits in the world. It contains associated tin, tungsten, zinc, bismuth, molybdenum, magnetite and gold." Further, according to the above prospectus: "the deposit contains two styles of mineralisation – replacement skarn and fissure veins.

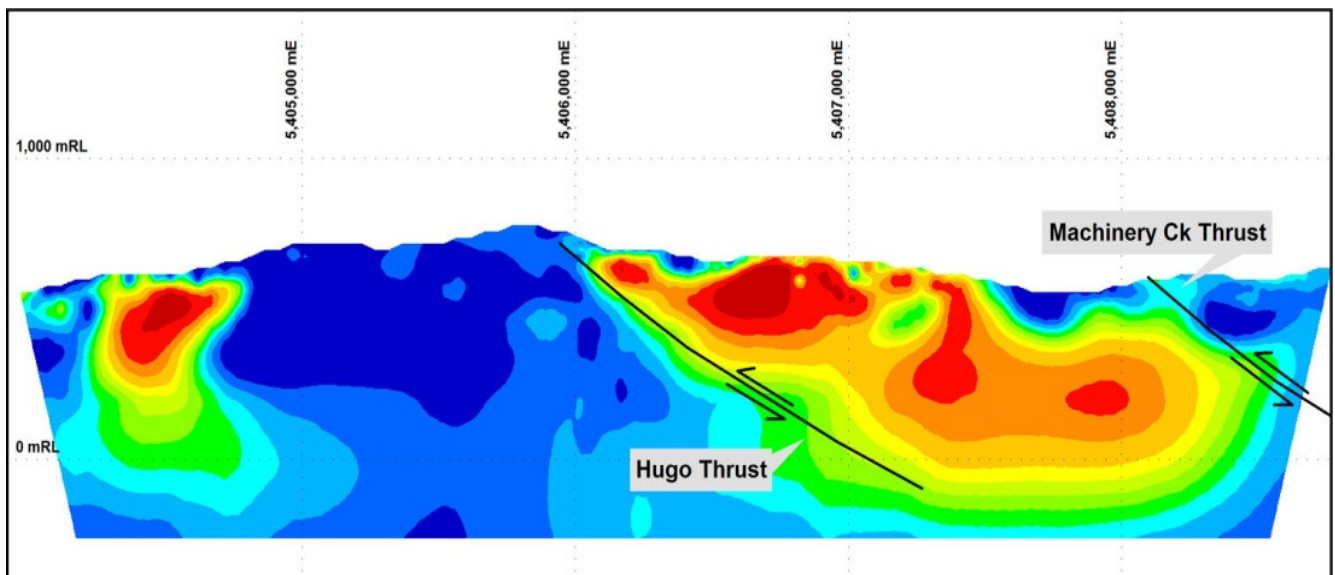
There are historic mineral resources this Retention Licence (not in compliance with the JORC Code) that are surrounded by Torque's Tenements. These are the Moina Fluorite Skarn, the Shephard and Murphy Mine and the Hugo Skarn.

Silver and base metals have been mined to the east of the Narrawa Project at the Round Mountain Mine. Production figures are incomplete and likely understated, but the mine is recorded as producing 370,000ozs silver, 1,500ozs gold and 4,700t of lead between 1908 and 1927. This does not include production from the associated Claude Hill and nearby smaller operations. In the northern part of the project area at Bell Mt, alluvial gold (with nuggets to plus 20ozs gold) has (and is) being produced on a small scale (production unknown). Potentially gold mineralised conductivity and chargeability anomalies have been defined surrounding the Bell Mt goldfield within Torque's licenses and these are targeted for drill testing in 2013. In addition to the above modest amounts of gold, base metals, tin and tungsten have been produced from several historic sites.

The above examples demonstrate the Moina Project to be extensively mineralized in a range of metals. Aeromagnetic, 3D IP and geochemical surveys all suggest the project area has the potential to add to the resource base by extensions to existing deposits or further look-alike repetitions; new discoveries of major mineralisation, either beneath basalt cover or at greater depths will be defined by ongoing exploration.

The 3D IP defines the chargeability, resistivity and conductivity of the sub-surface rock sequence to depths of up to 500m. Chargeability can define disseminated, and in some cases, more semi-massive sulphide accumulations. Conductivity can define massive or semi-massive sulphides.

**The chargeability results suggest numerous anomalies should be tested for possible larger accumulations of pyrite and perhaps associated gold.**



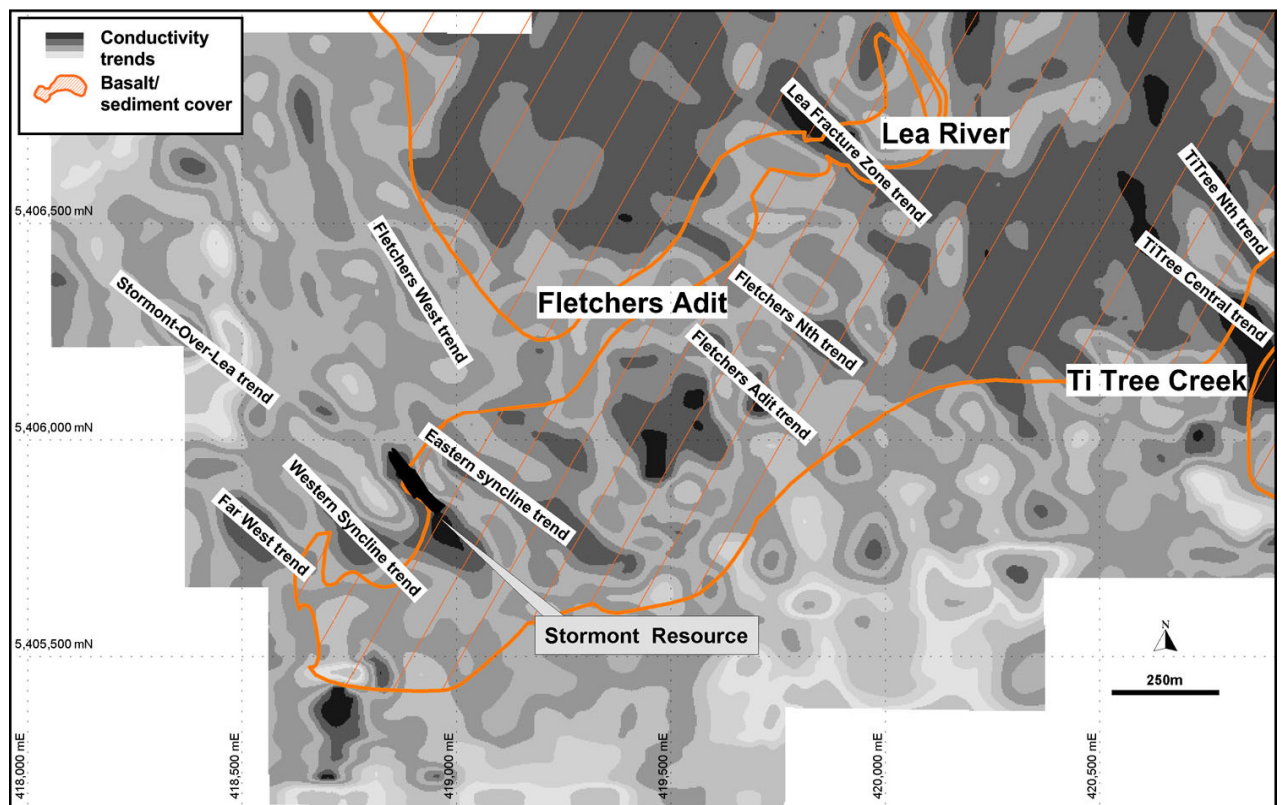


**Figure 6.** Cross section along line 4590E and showing a major chargeability anomaly (red) dipping shallowly to the north from the Narrawa area. This anomaly is thought to occur within the uppermost part of the Dolcoath granite (perhaps a greisenised zone) or in the Moina Sandstone immediately above the granite.

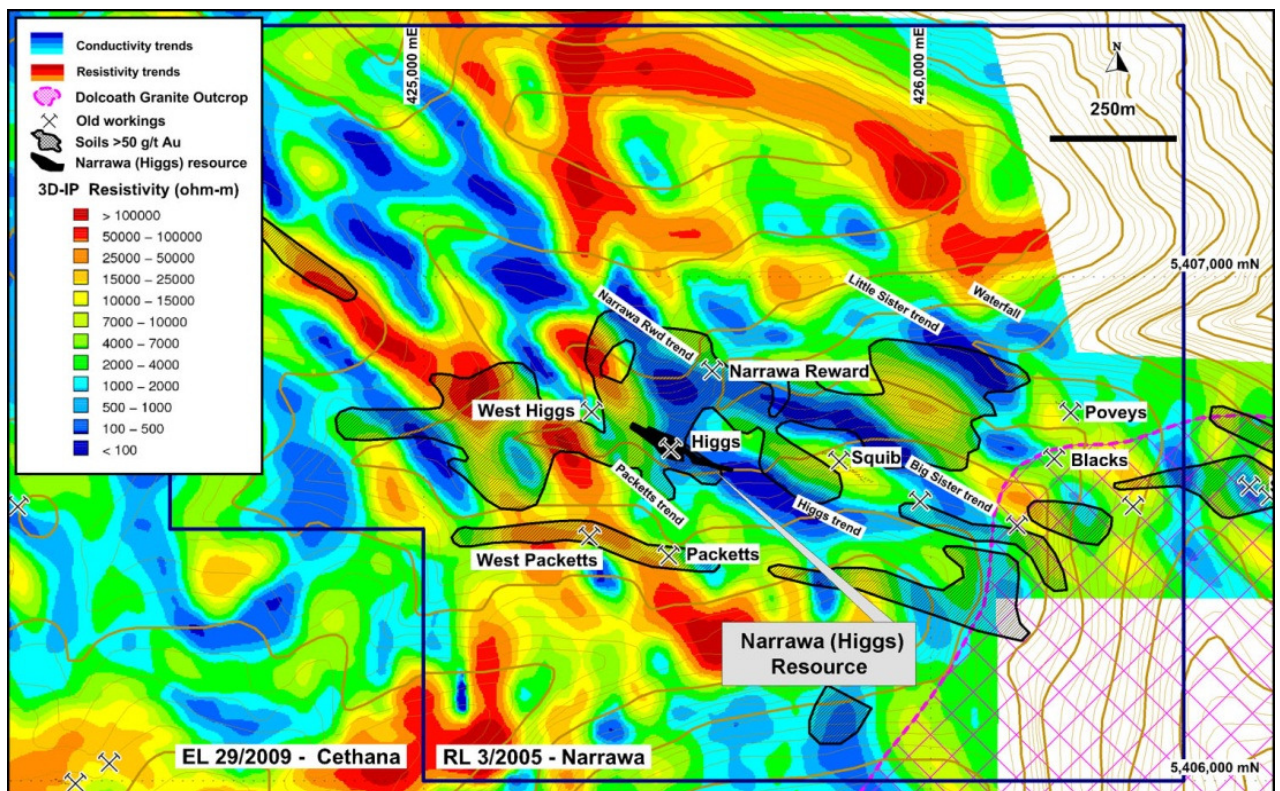
In the Stormont-Fletchers-Ti Tree Creek area (Figure 7) the 3D IP has effectively peeled off the thin (~20m) layer of basalt with the three previously known Stormont “look-alike’s” i.e. Western Syncline, Far West and Eastern Syncline, now joined by some 30 predominantly north-northwest trending conductivity anomalies likely to represent further Stormont or possibly much larger deposits’.

In the Narrawa Creek valley west-northwest trends predominate. Here the Narrawa orebody can be seen to lie in the Higgs conductive trend (Figures 8 and 9) with a number of parallel analogous conductive trends also defined by the 3D IP. Some of these parallel trends have anomalous gold+/-base metals in the few holes drilled to date; other analogous trends remain completely undrilled.

- (a) It has been demonstrated that conductivity anomalies define the location of the precious and base-metal mineralisation at Stormont, Narrawa and Round Mt. By analogy, the many conductivity anomalies defined throughout the entire Moina area, either beneath the basalt cover or at depth may represent further gold/bismuth/base metal systems.
- (b) Geochemical soil anomalism, particularly in the eastern Moina area from Tin Spur to just west of Narrawa, has been successful in defining the mineral zoning relating to the Dolcoath Granite; known gold, tungsten mineralisation; and together with the 3DIP data confirms the high prospectivity of this belt. Gold anomalous geochemistry essentially reflects the gold mineralisation at Narrawa and has a high correlation with conductivity anomalism at Narrawa. Adjacent to Round Mt, conductivity and lead mineralisation and soil anomalism also have a high correlation
- (c) In summary, the 3DIP data (chargeability and conductivity) magnetics (see web site for figures) and soil anomalism provide very potent indicators for further sulphide/skarn mineralisation; disseminated gold mineralisation; extensions to existing resources for gold and possibly base metals, tin, tungsten and molybdenum. Management has high confidence that additional resources will be defined by further drilling.

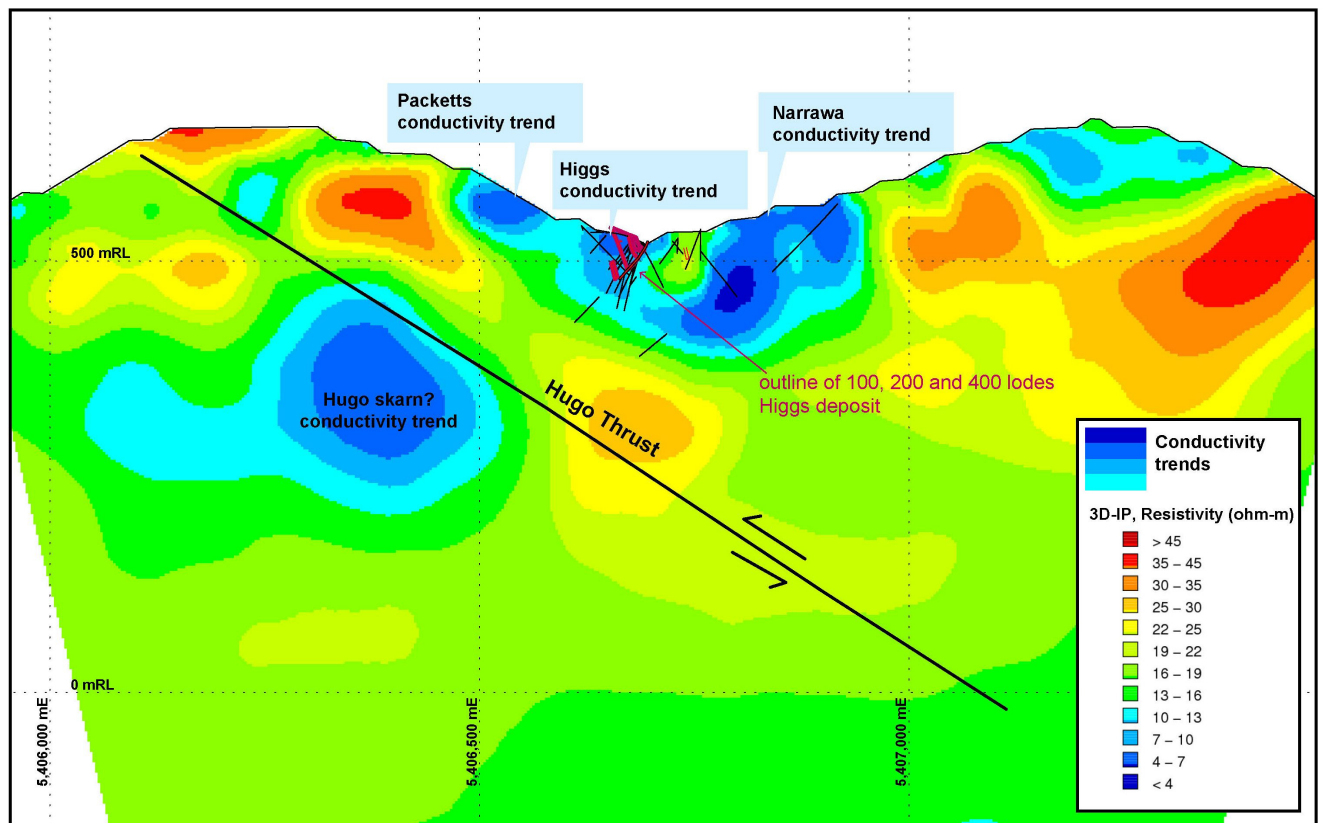


**Figure 7.** 3D-IP Conductivity plan of the Stormont, Fletchers and Ti Tree Area showing numerous anomalies that are viable drilling targets and the spatial distribution of basalt cover rocks.



**Figure 8.** Location of the Stormont Deposit shown plotted on distinct NW 3D-IP conductivity (blue) and resistivity (red) trends.

The Moina Project has excellent access and mainly moderate topography, in comparison to much of Tasmania. It is well serviced by a network of sealed (blacktop) and graded roads plus forestry tracks. There are no particular environmental or aboriginal heritage aspects that are likely to prevent mining.



**Figure 9.** Cross section through the Narrawa Prospect area and Higgs Deposit, showing conductivity - resistivity and its excellent association to mineralisation.



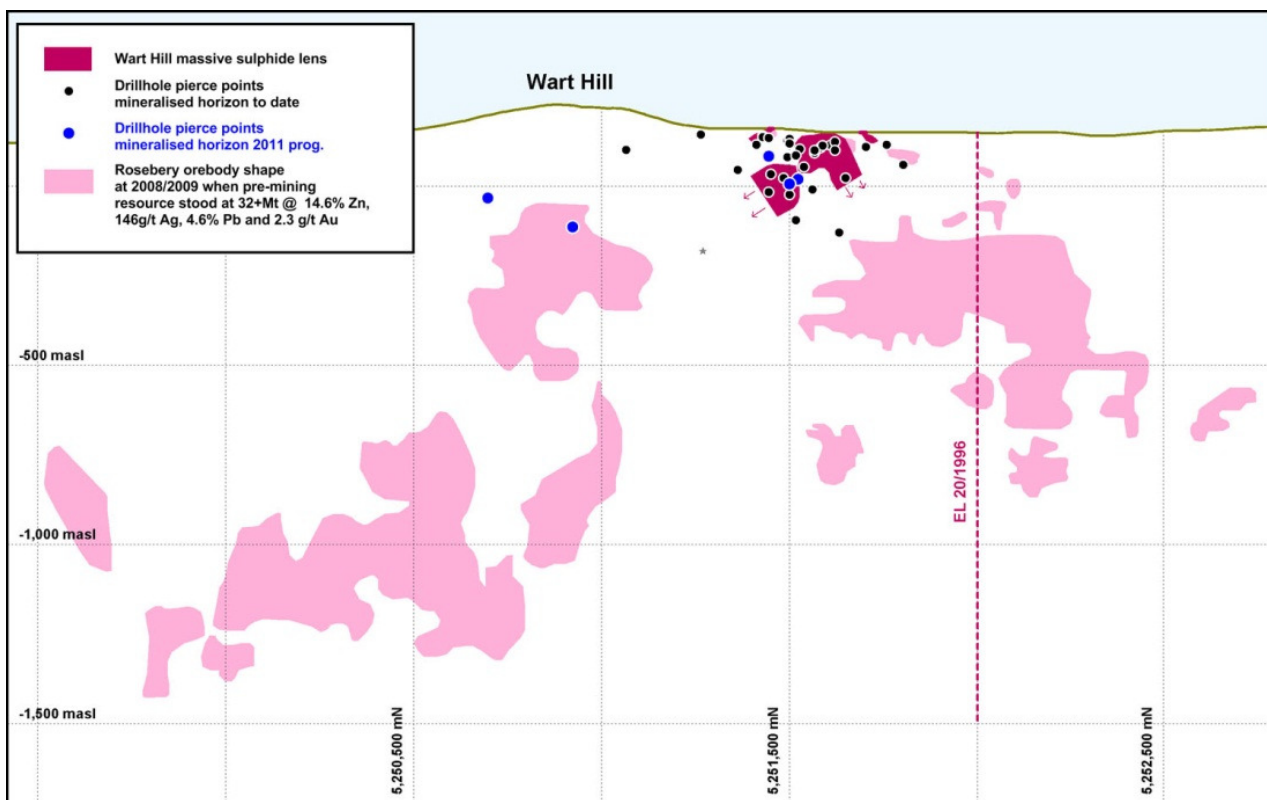
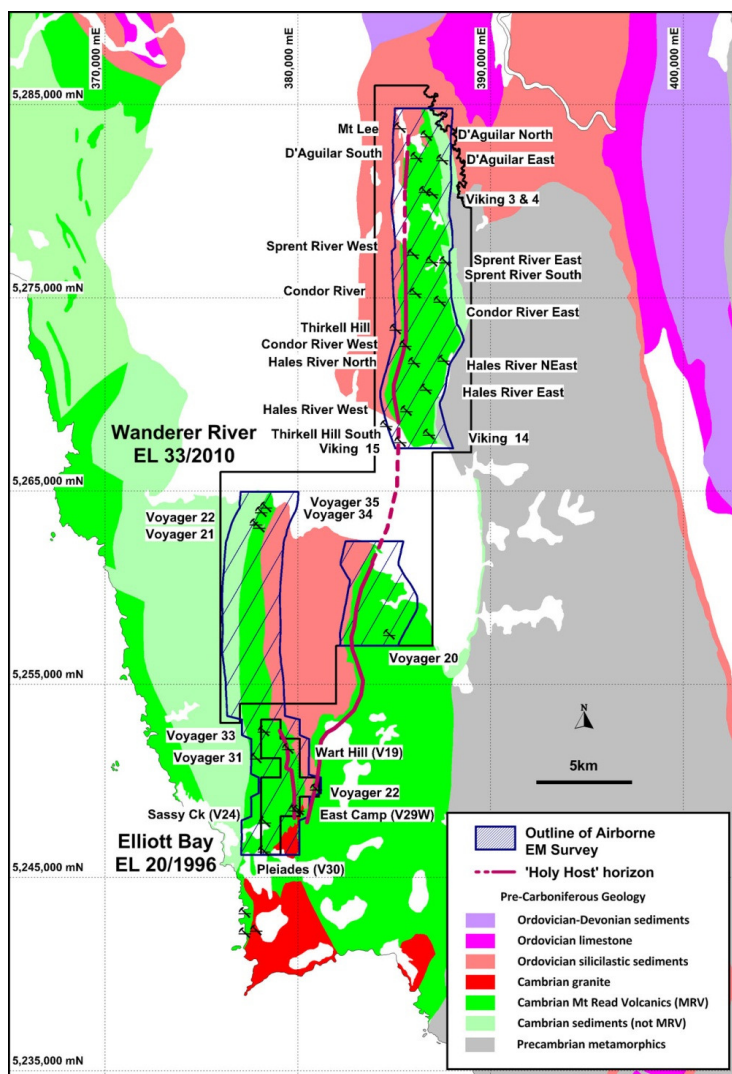
## SMRV Project EL 20/96 – Elliott Bay; EL 33/2010 – Wanderer River (Torque 90%)

The SMRV (Southern Mount Read Volcanics) Project is located in Tasmania's southwest and contains a 45km strike extension of the Mt Read Volcanics (MRV).

**Figure 10** shows geology of the SMRV Project, prospects and area covered by the recent VTEM survey.

Major mineralised systems occur in the northern section of the MRV as shown in [Figure 1.] This mineralisation was formed by ancient analogs of today's "black (and white) smokers" on the seafloor, forming sulphide chimneys from metal rich hydrothermal fluids onto the seafloor or reacting and altering the rocks beneath the seafloor and precipitating mineralisation here. This style of mineralisation is categorized as Volcanic Hosted Massive Sulphides (VHMS). Orebodies of hybrid VHMS-porphyry or VHMS-epithermal style are also present in the Mt. Read Volcanics.

Research, (both academic and industry), has recognized that these deposits and the other smaller examples (Que River, Fossey, Mt Charter, Pinnacles/Browns Tunnel, Hercules, Henty and Tasman and Crown Lyell Extended) lie on the same time-stratigraphic horizon, meaning they are all formed on or below the seafloor at approximately the same time. This horizon is known colloquially as the "Holy Host" horizon and is actively pursued by explorers elsewhere in the Mt. Read Volcanics.



**Figure 12** .Schematic Comparative long section of the Roseberry Deposit (inverted) and the Wart Hill Deposit.

Drilling by Frontier has shown the host sequence to the Wart Hill massive sulphide deposit to have many geological similarities to the 'holy host' sequence much further north in the MRV. In fact in excess of 30 prospects have been defined within the SMRV tenement area by this historical work. Exploration at Elliott Bay by Frontier has defined very high grades of zinc, lead, silver and gold.

Outcrops of mineralisation in two adjacent lenses at Wart Hill have given results as follows:

Lens A - 4.0m grading 17.9% zinc, 10.2% lead, 132g/t silver and 0.60g/t gold.

Lens B - 3.0m grading 21.9% zinc, 13.9% lead, 680g/t silver and 0.80g/t gold. The unmineralised rocks had only background values.

Extensive gold in streams and soil anomalism have led to the discovery of the Sassy Creek prospect along strike from the Wart Hill massive sulphide deposit to the southwest.

The Thirkell Hill part of the belt has seen little of the attention given to Elliott Bay since the Wart Hill discovery with only a few short drill holes drilled into two anomalies. This is in spite of the presence of favourable VHMS style alteration, anomalous gold and base metals in streams and soils and numerous early generation geophysical anomalies. A major impediment has been the lack of outcrop with the volcanics under swampy, peaty soil and thick bush. Frontier recently completed a new generation deeper seeing airborne EM (VTEM) survey over the whole SMRV to help "see through" this cover.

## **2.10 Competent Person's Statement**

The information that is contained in this Notice as it relates to Mineral Resources and Exploration Results is based on information compiled by Robert McNeil, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Robert McNeil is employed by Torque and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the JORC Code. Robert McNeil consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## **2.11 Exploration Strategy and Budgets**

Torque's development and exploration strategy will initially focus on gold with lesser emphasis on base metals, tin and tungsten. This may be by Torque developing a "stand alone" processing operation at Moina or by way of an association with a nearby existing processor as is contemplated by joint venture agreement with BCD Resources NL and their Beaconsfield plant in relation to developing the Stormont Deposit.

Existing cash reserves, being those funds raised through the seed capital raising, have been used and continue to be used for preliminary work associated with the overall long term exploration strategy, including establishing a Tasmanian office, negotiation of and entry into the joint venture agreement with BCD Resources NL in relation to developing the Stormont Deposit and further exploration of the Tasmanian Projects.

| Allocation of funds raised from seed capital   | Amount             |
|--|--------------------|
| Expenses of seed capital raising   | 125,000            |
| Exploration expenditure  | 600,000            |
| Administration costs (No remuneration will be paid or accrue to Torque Directors while Torque remains an unlisted company) | 50,000             |
| Repayment of liabilities   | 208,293            |
| Working capital  | 63,707             |
| <b>Total</b>   | <b>\$1,047,000</b> |

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events, including exploration success or failure, and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Torque Board reserves the right to alter the way funds are applied on this basis.

To support its long term exploration strategy described below Torque will require further financing following the Capital Reduction in addition to existing cash reserves. In the absence of income producing assets Torque intends to

conduct a significant equity raising in early 2013. Any additional equity financing will dilute shareholdings. If Torque is unable to obtain additional financing as needed, it will be required to reduce the scope of its operations and scale back or defer its exploration programmes. There is no guarantee that Torque will be able to secure any additional funding or be able to secure funding on favourable terms.

Torque will acquire from Frontier three diamond core drill rigs and ancillary equipment such as excavators, crawlers, trucks etc (including a "man portable" rig which is easily moved into difficult areas and has minimum environmental impact). Non drill type exploration has been largely completed at the Moina Project and is well advanced at the other projects. The great majority of the funds raised will go to feasibility studies and to drilling. Torque's drilling costs with its own equipment allows greater flexibility and reduced costs compared to commercial rates, making for cost effective exploration.

Most non-drilling type exploration has been completed on these projects and the great majority of funds raised will go directly to drilling the excellent known targets. Torque plans a continuous and ongoing drill program both to add to the resource base and to locate further mineralised systems. Torque's drilling costs are significantly lower than commercial contract rates making for cost effective exploration.

#### **Moina Project**

The Moina Project development strategy is three fold as follows:

- either as a "stand alone" project or in joint venture with an existing producer.
- Extend or replicate existing resources by drilling possible extensions and testing the many similar geological environments to the existing resources as defined by geochemistry and geophysics.
- Complete feasibility on existing resources and convert resources to reserves. Develop one or more mines geophysical and geological targets that could represent major sulphide systems and/or gold and tin mineralised systems.
- Drill the larger chargeability anomalies to test for large, disseminated gold systems such as Fort Knox and Pogo.

#### **SMRV Project**

- Complete a review of all previous exploration prior to determining drill targets
- Undertake geological mapping to further explore possible "vectors" to mineralisation and 3DIP in selected areas of both the Wanderer River and Elliott Bay tenements.
- Drill the Wart Hill prospective horizon down plunge from the high grade Wart Hill massive sulphide lens.
- Explore the Sassy Creek hybrid VHMS alteration system and other similar prospects for Wart Hill style massive sulphide and high grade gold with 3D IP and drilling
- Explore anomalies defined by the recent VTEM, survey (aerial electromagnetic survey).
- Target the "holy host" horizon elsewhere in the belt.
- Ultimately seek JV partner for development.

#### **Lower Pieman Project**

- The exploration will initially focus on reviewing all available data, geological mapping and some surface sampling for major tungsten and possibly gold systems.
- Drill test high grade tungsten veins in areas of anomalous geophysics.

## **2.12 Risk factors**

If the Capital Reduction proceeds, there are a number of risk factors which may affect the future operating and financial performance of Torque and the future investment performance of the Torque Shares. This Section summarises the risks to which Torque will be exposed as a participant in the gold and metals industry (i.e. risks to which Frontier has been exposed to as a participant in the gold and metals industry), together with the further risks to which Torque will be exposed.

Many of the risks identified in this Section are outside the control of Torque. In deciding whether or not to approve the Capital Reduction and receive your investment in Torque, by way of the in specie distribution of the Torque Shares, you should carefully consider the risks set out in this Section together with the other information set out in this Explanatory Statement.

The risk factors set out below have been reviewed by each of the boards of directors of Frontier and Torque and are considered applicable.

Additional risks and uncertainties not currently known to Torque may also have a material adverse effect on the business of Torque. The following risk factors, and other risks specifically not referred below, may in the future materially affect the financial performance of Torque and the value of the Torque Shares. The information set out below does not purport to be, nor should it be considered as representing, an exhaustive list of the risks affecting Torque and an investment in Torque Shares.

#### **TORQUE SPECIFIC**

(a) **Liquidity Risk**

There are 60,940,002 Torque Shares already on issue. On completion of the Capital Reduction, Torque will not be admitted to the official list of the ASX or any other financial market and it is not intended that an application be made for quotation of the Torque Shares on completion of the Capital Reduction. Therefore, there is an increased liquidity risk as the issued capital will not be able to be traded on ASX. There is no guarantee that the Torque Shares will be listed at a later date. Therefore, the Torque Shares may be considered to be illiquid.

(b) **Funding and Additional Requirements for Capital**

At present, Torque has no income producing assets and will generate losses for the foreseeable future.

Torque's capital requirements depend on numerous factors, including its ability to develop a project and generate income from its operations. Torque may require further financing in addition to existing cash reserves to support long term exploration. Any additional equity financing will dilute shareholdings. If Torque is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes. There is no guarantee that Torque will be able to secure any additional funding or be able to secure funding on favourable terms.

(c) **Limited history**

Torque was only recently incorporated (20 March 2012) and has no operating history and limited historical financial performance. Exploration has previously been conducted on the land that is subject of the Tenements. No assurance can be given that Torque will achieve commercial viability through the successful exploration and/or mining of the Tenements. Until Torque is able to realise value from its projects, it is likely to incur ongoing operating losses.

(d) **Exploration and Development Success**

Investors should understand that gold and other minerals exploration and development is by its nature a high risk undertaking.

There can be no assurance that exploration of the Tenements, or any other licenses that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Torque has published Indicated and Inferred Resource estimates for the Stormont and Narrawa Deposits however there is no assurance that exploration or project studies by Torque will result in the definition of an economically viable mineral deposit or that the exploration tonnage estimates and conceptual project developments discussed are able to be achieved.

(e) **Potential Acquisitions**

As part of its business strategy, Torque may make acquisitions of or significant investments in other resource projects. Any such transactions would be accompanied by risks commonly encountered in making such acquisitions.

(f) **Operating Risks**

The operations of Torque may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been incorporated on 20 March 2012, Torque does not have any significant operating history, although it should be noted that Torque's directors have between them about 150 years, operational



experience. No assurances can be given that Torque will achieve commercial viability through the successful exploration and/or mining of its license interests. Until Torque is able to realise value from its projects, it is likely to incur ongoing operating losses.

## **INDUSTRY SPECIFIC**

### **(a) Title Risk**

Interests in the Tenements are governed by the legislation and regulations applicable to Tasmania and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, Torque could lose title to or its interest in the concessions if licence conditions are not met or if insufficient funds are available to meet required expenditure commitments.

### **(b) Changes in Government Policy**

Adverse changes in government policies or legislation in Tasmania and other jurisdictions in which Torque may operate from time to time affecting taxation, royalties, land access, labour relations, and mining and exploration activities may affect the operations of Torque. It is possible that the current system of exploration and mine permitting in Tasmania may change, resulting in impairment of rights and or possibly expropriation of Torque's properties without adequate compensation.

### **(c) Commodity Price Volatility and Exchange Rate Risks**

If Torque achieves success leading to mineral production, the revenue it will derive through the sale of precious and base metals, exposes the potential income of Torque to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of Torque. Such factors include supply and demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.

### **(d) Environmental Risks**

The operations and proposed activities of Torque are subject to the laws and regulations of Tasmania concerning the environment. As with most exploration projects and mining operations, Torque's activities are expected to have some impact on the environment, particularly if advanced exploration or mine development proceeds. It is Torque's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

### **(e) Tenure and access**

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved. Tenements are subject to the applicable mining acts and regulations in Tasmania. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising Torque's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of Torque.

## **GENERAL**

### **(a) Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Torque's exploration, development and production activities, as well as on its ability to fund those activities.

### **(b) Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of Torque depends substantially on its senior management and its key personnel who have employment or contractual arrangements with Torque. There can be no assurance given that there will be no detrimental impact on Torque if one or more of these employees cease their employment or terminate their contractual arrangements with Torque.

### **(c) Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by Torque or by investors in Torque. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Torque and the value of the Torque Shares.

Therefore, the Torque Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in Torque is speculative and should consult their professional advisers before deciding whether to apply for Torque Shares.

## 2.13 Material Contracts

### (a) Elliott Bay and Wanderer Heads of Agreement

On 14 August 2001, Frontier entered into an agreement with Exploration & Management Consultants Pty Ltd (**EMC**), whereby Frontier acquired from EMC, a 90% joint venture interest in Tasmanian exploration licences 20/1996 and 21/1999 (**Tenements**) (**Elliott Bay Agreement**). EMC is a related party of Frontier by virtue of being an entity controlled by Mr Peter McNeil, Managing Director and Chairman of Frontier.

Frontier has paid the required consideration and the interest in those tenements has been transferred to Frontier, such that the holdings in the licences are now Frontier 90% and EMC 10%. Pursuant to the Elliott Bay Agreement, an unincorporated joint venture was formed between the parties on 14 August 2001 (**Joint Venture**). EL 21/1999 was allowed to lapse and EL 33/2010 was acquired under the same terms as EL 21/1999. Frontier was appointed as the operator of the Joint Venture.

Until such time as a bankable feasibility study is completed on the Tenements, Frontier must:

- (i) sole fund the exploration on the Tenements, allowing EMC to be free carried; and
- (ii) meet the total minimum annual expenditure and work programs, as required by Minerals Resources Tasmania.

Following the completion of a bankable feasibility study on the Tenements, the parties will prepare a full operating agreement that is on terms generally in accordance with the Elliott Bay Agreement and otherwise usual to an agreement of that nature. Until such time as an operating agreement specifies the necessary expenditure, the parties must raise funds for the purpose of satisfying expenditure requirements on the Tenements and meeting all other tenement and operations related expenses proportionate to their interests.

Any non-transferring party has a pre-emptive right over an interest that a party wishes to transfer to any party, other than a related body corporate.

The Elliott Bay Agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

### (b) Tenement Sale Agreement – Frontier

On 18 September 2012, Frontier entered into an agreement with Torque, whereby Torque acquired from Frontier a 90% interest in the Tenements (**Torque Agreement**) in consideration for issuing 40,000,000 Torque Shares to Frontier and agreeing to free carry Frontier to completion of a bankable feasibility study in respect of those Tenements.

Pursuant to the Torque Agreement, an unincorporated joint venture was formed between the parties in relation to the Tenements (**FNT Joint Venture**). Torque has been appointed as the operator of the FNT Joint Venture. In addition to this, under the Torque Agreement, Frontier agreed to assign, and Torque agreed to assume, Frontier's obligations under the Elliott Bay Agreement.

Until such time as a bankable feasibility study is completed on the Tenements, Frontier must:

- (i) sole fund the exploration on the Tenements (giving Frontier a free carried 10% interest); and
- (ii) meet the total minimum annual expenditure and work programs, as required by Minerals Resources Tasmania.

Following the completion of a bankable feasibility study on the Tenements, the parties will prepare a full operating agreement that is on terms generally in accordance with the Torque Agreement and otherwise usual to an agreement of that nature.

The Torque Agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

(c) **Joint Venture Agreement – BCD Resources NL**

On 9 October 2012, the Company announced that Torque Mining Limited has entered into a Joint Venture Agreement with BCD Resources NL (**BCD**) whereby the Indicated gold – bismuth Resource at the Stormont deposit will be mined and treated at BCD’s Beaconsfield gold processing facility in northern Tasmania.

The terms of the Joint Venture Agreement are detailed below:

The Joint Venture is restricted to the area of the existing Indicated Resource at the Stormont Deposit and does not include any possible expansion of the Stormont Resource, the Narrawa Resource or other mineral resources that may be defined in the future at the Moina Project.

BCD will provide all funds required to complete a feasibility study, obtain permitting for the proposed operation and associated development costs up until production.

There will be a prepayment to Torque by BCD of AUD\$500,000 at the commencement of production, to be repaid to BCD from Torque’s share of cash flow.

The Joint Venture will be directed by a committee voting their respective equities.

BCD will recoup all joint venture costs from production proceeds including mining, processing and related direct management costs they incur at their actual cost under an “open book” agreement, with no additional management fee charged.

The net cash flow to joint venture participants from all gold sold is based on the actual gold price at the time and after all expenses.

If the gold price is US\$1,700/ounce or less, the cash flow will be split between Torque, Frontier and BCD on their respective 45% - 5% - 50% equity basis.

If the gold price is greater than US \$1,700/ounce, all additional net cash flow from the increased gold price will all revert to Torque and Frontier (pro-rata).

## **2.14 Information concerning the Torque Shares**

Torque Shares are not currently listed for quotation on any stock exchange. A summary of the more significant rights that will attach to the Torque Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Torque Shareholders.

Full details of the rights attaching to the Torque Shares are set out in Torque’s constitution, a copy of which is available on request.

(a) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Torque Shares (at present there are none), at meetings of shareholders of Torque:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

(b) **General meetings**

Torque Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of Torque.

Torque Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(c) **Rights on winding up**

Subject to the rights of holders of shares with special rights in a winding up (at present there are none), on a winding up of Torque all assets that may be legally distributed among members will be distributed amongst the members as the liquidator determines.

(d) **Transfer of shares**

Subject to the constitution of Torque, the Corporations Act, and any other laws and rules, shares are freely transferable.

(e) **Future increases in capital**

The allotment and issue of any shares is under the control of the Torque Directors. Subject to restrictions on the allotment of shares to Torque Directors or their associates, the rules of any securities exchange (if applicable), the constitution of Torque and the Corporations Act, the Torque Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

(f) **Share buy backs**

Subject to the provisions of the Corporations Act, the rules of any securities exchange upon which Torque Shares may be listed in the future and applicable securities laws, Torque may buy back Torque Shares on the terms and at times to be determined by the directors of Torque.

(g) **Variation of rights**

Under the Corporations Act, Torque may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of the issue of the shares of that class), whether or not Torque is being wound up may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Dividend rights**

Subject to the rights of holders of shares issued with special, preferential or qualified rights (at present there are none), the profits of Torque which the Directors determine to distribute by way of dividend are divisible among the holders of ordinary shares in proportion to the number of shares held by them.

(i) **Alteration of constitution**

Torque's constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 21 days written notice specifying the intention to propose the special resolution to amend Torque's constitution must be given to Torque's shareholders.

(j) **Listing rules of a securities exchange on which Torque Shares are listed**

If and while Torque is admitted to a recognised securities exchange, if the listing rules of such securities exchange prohibit an act being done, the act must not be done despite anything in Torque's constitution. Nothing in Torque's constitution prevents an act being done that the listing rules of such securities exchange require to be done.

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### **3. INFORMATION ON FRONTIER FOLLOWING COMPLETION OF THE CAPITAL REDUCTION**

#### **3.1 Pro-Forma Statement of Financial Position for Frontier**

Set out in Schedule 1 is a statement of financial position of Frontier as at 30 June 2012, together with the pro-forma statement of financial position following completion of the Capital Reduction.

#### **3.2 Frontier Capital Structure**

The Capital Reduction will not affect Frontier's capital structure.

The capital structure of Frontier **as at the date of this Notice of General Meeting** is:

| Number of Shares | Number of Unlisted Options <sup>1</sup> |
|------------------|---|
| 303,546,682      | 15,290,000                              |

<sup>1</sup> See Appendix 3B lodged with the ASX on 7 September 2012 for full details of Options.

In the event of completion of the Capital Reduction, in accordance with ASX Listing Rule 7.22.3 all Frontier Options on issue will have their exercise price reduced by the same amount as the amount returned in relation to each Share.

### 3.3 Frontier Directors' Interests

As at the date of this Notice, the Frontier Directors have a relevant interest in the securities of the Company and, based on the assumption set out below, an entitlement to a relevant interest in the Torque Shares on completion of the Capital Reduction as set out in the table below.

| Director         | Frontier Shares | Frontier Options | Torque Shares to be received if the Capital Reduction occurs |
|------------------|-----------------|------------------|--|
| Mr Peter McNeil  | 12,663,000      | Nil              | 1,251,504  |
| Mr Warren Staude | 931,140         | 2,000,000        | 92,026   |
| Mr Graham Fish   | 471,457         | 1,500,000        | 46,594   |
| Mr Hugh Swain    | 360,443         | Nil              | 35,623   |
| Mr Martin Otway  | 14,620,000      | Nil              | 1,444,917  |

The above table assumes that the Directors do not exercise any Options, and are not issued new Shares and do not acquire additional Shares or dispose of any Shares, between the date of this Notice of General Meeting and the Record Date. However, it is possible that one or more of the Directors will exercise some or all of their Options or otherwise acquire or dispose of Shares. The tables above should not be read as a statement of intention that the Directors intend to exercise any Options they may hold or otherwise acquire additional Shares between the date of this Notice of General Meeting and the Record Date.

No Director of Frontier will receive any payment or benefit of any kind as a result of the Capital Reduction other than as Shareholders of Frontier. To the extent that Directors hold Shares, they will be treated on the same basis as other Shareholders in respect of the Capital Reduction.

### 3.4 Information concerning Frontier Shares

The rights attaching to the Shares in Frontier will not alter due to the implementation of the Capital Reduction.

For the information of Shareholders, the highest and lowest recorded sale prices of Frontier's Shares as traded on ASX during the 12 months immediately preceding the date of this Explanatory Statement and the respective dates of those sales were:

| Date             | Highest Price | Date                | Lowest Price |
|------------------|---------------|---------------------|--------------|
| 12 December 2011 | 17.5 cents    | 8 & 23 October 2012 | 6.0 cents    |

The latest available closing price of the Shares on ASX prior to the date of this Notice was 6.2 cents on 8 November 2012.

### 3.5 Effect of Capital Reduction on Frontier Shareholders

Subject to Shareholders approving Resolution 1, Frontier will undertake the pro-rata in specie distribution of approximately 30,000,000 Torque Shares to Shareholders. Eligible Shareholders will be entitled to receive a proportional number of Torque Shares relatively to their shareholding at the time of determining their entitlement and based on the number of Shares in Frontier as at the Record Date (rounded down to the nearest whole number, with surplus Torque Shares as a result from that rounding down being retained by Frontier).

In the event Shareholder approval of Resolution 1 is not obtained, the Capital Reduction will not proceed and the distribution of the Torque Shares to Shareholders will not occur.

The proposed timetable for the Capital Reduction is set out at the commencement of this Notice.

***What will you receive?***

If the Capital Reduction is implemented, Eligible Shareholders will receive a proportional number of Torque Shares relative to their shareholding at the time of determining their entitlement.

Eligible Shareholders are those Shareholders that:

- (a) have bought their Shares on ASX prior to the “ex return of capital” date and held those Shares to that date or later; or
- (b) are otherwise entitled at the Record Date in other limited circumstances pursuant to the ASX Settlement Operating Rules (i.e. the issue of new Shares through the exercise of Options).

Based on the capital structure of Frontier as at the date of this Notice, the number of Torque Shares each Shareholder will receive is 1 Torque Shares for every 10.118 Frontier Shares held by the Shareholder. The ratio of Torque Shares distributed will be reduced for changes to the capital structure of Frontier up until the Record Date (e.g. through the issue of new Shares from the exercise of Frontier Options).

Shareholders are not required to contribute any payment for the Torque Shares which they are entitled to receive under the Capital Reduction.

***What is the impact on your shareholding in Frontier?***

The number of Shares in Frontier that you hold will not change as a result of the Capital Reduction.

If the Capital Reduction is implemented, the value of your Shares in Frontier may be less or more than the value of Company's Shares held prior to the Capital Reduction being implemented. The size of any decrease or increase cannot be predicted and will be dependent on the value the ascribed to Torque, which is presently 6.5 cents per Share.

***Do you have to do anything to receive your Torque Shares?***

If the Capital Reduction proceeds, you will automatically receive the Torque Shares you are entitled to receive, even if you vote against the Capital Reduction or do not vote at all.

***Will I be able to trade my Torque Shares?***

If the Capital Reduction is approved by Shareholders and is implemented, a holder of Torque Shares will be able to sell their Torque Shares in the future. However, there may be a limited liquid market for the Torque Shares as these Shares will not be listed on the ASX. Please refer to Section 2.12(a) for further details on this risk.

***What are the taxation implications of the Capital Reduction?***

There is a taxation consequence in respect of the distribution of the Torque Shares to the Shareholders. Details of the general taxation effect of the transaction are set out in Schedule 3. However, Shareholders should obtain professional advice as to the taxation consequences of the Capital Reduction in their specific and individual circumstances.

### **3.6 Lodgement with ASIC and ASX timetable**

Frontier has lodged with the ASIC a copy of this Notice and the Explanatory Statement in accordance with Section 256C(5) of the Corporations Act. The Company has also lodged a copy of the Prospectus which accompanies this Notice with ASIC at the same time the Notice was lodged with ASIC.

The ASIC and its officers take no responsibility for the contents of this Notice or the merits of the transaction to which this Notice relates.

If Resolution 1 is passed the reduction of capital is required to take effect in accordance with the timetable set out in Appendix 7A of the ASX Listing Rules. Please refer to the timetable at the commencement of this Notice of General Meeting for the proposed indicative timetable for completion of the Capital Reduction, which is subject to change by Frontier and any requirements of the ASX Listing Rules and the Corporations Act.

### 3.7 Disclosure to ASX

Frontier, as a company whose Shares are quoted on the stock market of ASX, is a disclosing entity and, as such, is subject to regular reporting and disclosure obligations. Copies of documents lodged in relation to Frontier may be obtained for a fee from, or inspected at, an office of the ASIC.

### 3.8 Other material information

There is no information material to the making of a decision by a Shareholder in Frontier whether or not to approve Resolution 1 (being information that is known to any of the Directors and which has not been previously disclosed to Shareholders in Frontier) other than as disclosed in this Explanatory Statement and all relevant schedules, and information Frontier has previously disclosed to Shareholders.

### 3.9 Other legal requirements

#### ***Offers to issue or sell securities that require disclosure under a prospectus and secondary trading***

The Corporations Act restricts:

- (a) Frontier from disposing of the Torque Shares to its Shareholders by way of an in-specie distribution, without issuing a prospectus; and
- (b) Frontier's Shareholders from on-selling their Torque Shares within the first 12 months after receiving them under an in-specie distribution.

Under applicable ASIC guidelines, the in specie distribution of Torque Shares to Shareholders proposed in this Notice of Meeting constitutes an "offer" of securities under Australian law. Accordingly, the Company has prepared a prospectus which contains information in relation to Torque (**Prospectus**).

**The Prospectus accompanies this Notice of Meeting and has been lodged with ASIC at the same time as this Notice of Meeting. The Company recommends that all Shareholders read the Prospectus carefully and in conjunction with this Notice of Meeting.**

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## 4. RESOLUTION 1 – EQUAL REDUCTION OF CAPITAL AND IN SPECIE DISTRIBUTION OF SHARES

### 4.1 Sections 256B and 256C of the Corporations Act

The proposed reduction of capital by way of an in specie distribution of the Torque Shares to Shareholders on a pro rata basis is an equal capital reduction as it applies in proportion to the number of Shares held by each Shareholder. Under Section 256C of the Corporations Act, this must be approved by an ordinary resolution passed at a general meeting of Frontier.

Under Section 256B of the Corporations Act, Frontier may only reduce its capital if it:

- (a) is fair and reasonable to Shareholders as a whole;
- (b) does not materially prejudice Frontier's ability to pay its creditors; and
- (c) is approved by Shareholders in accordance with Section 256C of the Corporations Act.

The Directors believe that the proposed equal capital reduction by way of an in specie distribution of the Torque Shares to Shareholders on a pro rata basis is:

- (a) fair and reasonable to Shareholders as a whole, as the Capital Reduction will be undertaken on a pro rata basis and for the other reasons set out throughout this Explanatory Statement;
- (b) does not prejudice Frontier's ability to pay its creditors; and
- (c) will not result in Frontier being insolvent at the time of the proposed capital reduction or becoming insolvent as a result of the proposed capital reduction.

Accordingly, Resolution 1 seeks Shareholder approval for the Capital Reduction by way of in specie distribution to Shareholders of approximately 30,000,000 Torque Shares held by Frontier.

### 4.2 Directors' recommendations

After considering all relevant factors, the Directors (other than Mr Graham Fish and Mr Peter McNeil, as directors of Torque, have an interest in the outcome of Resolution 1) recommend Frontier's Shareholders vote in favour of Resolution 1 for the following reasons:

- (a) after a full and proper assessment of all available information they believe that the proposed transaction is in the best interests of Frontier's Shareholders; and
- (b) in the opinion of the Directors, the benefits of the proposed transaction outweigh its disadvantages as referred to in Section 1.4.

## 5. RESOLUTIONS 2-6 – ISSUE OF OPTIONS TO RELATED PARTIES

### 5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 18,000,000 Options (**Related Party Options**) to Messrs McNeil, Staude, Fish, Swain and Otway (**Related Parties**) on the terms and conditions set out below.

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

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of the Related Party Options constitutes giving a financial benefit and the Related Parties are related parties of the Company by virtue of being Directors.

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

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Options to the Related Parties.

### 5.2 Shareholder approval (Chapter 2E of the Corporations Act and ASX Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the related parties are Messrs McNeil, Staude, Swain, Fish and Otway who are related parties by virtue of being Directors;
- (b) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be granted to the Related Parties (or their respective nominee/s) is:
  - (i) 10,000,000 Related Party Options to Mr Peter McNeil (or his nominee/s);
  - (ii) 2,000,000 Related Party Options to Mr Warren Staude (or his nominee/s); and
  - (iii) 2,000,000 Related Party Options to Mr Hugh Swain (or his nominee/s); and
  - (iv) 2,000,000 Related Party Options to Mr Graham Fish (or his nominee/s);
  - (v) 2,000,000 Related Party Options to Mr Martin Otway (or his nominee/s);
- (c) the Related Party Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the Related Party Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Related Party Options are set out in Schedule 4;
- (f) the value of the Related Party Options and the pricing methodology is set out in Schedule 5;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below:

| Related Party | Shares | Options |
|---------------|--------|---------|
|---------------|--------|---------|



|                  |            |                        |
|------------------|------------|------------------------|
| Mr Peter McNeil  | 12,663,000 | Nil                    |
| Mr Warren Staude | 931,140    | 2,000,000 <sup>1</sup> |
| Mr Hugh Swain    | 360,443    | Nil                    |
| Mr Graham Fish   | 471,457    | 1,500,000 <sup>2</sup> |
| Mr Martin Otway  | 14,620,000 | Nil                    |

<sup>1</sup> 500,000 Options exercisable at \$0.04 each, 500,000 Options exercisable at \$0.05 each, 500,000 Options exercisable at \$0.09 each and 500,000 Options exercisable at \$0.10 each all on or before 31 December 2012.

<sup>2</sup> 500,000 Options exercisable at \$0.05 each, 500,000 Options exercisable at \$0.09 each and 500,000 Options exercisable at \$0.10 each all on or before 31 December 2012.

- (h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

| Related Party    | Current Financial Year | Previous Financial Year |
|------------------|------------------------|-------------------------|
| Mr Peter McNeil  | \$350,000              | \$415,301               |
| Mr Warren Staude | \$40,000               | \$33,608                |
| Mr Hugh Swain    | \$40,000               | \$37,241                |
| Mr Graham Fish   | \$40,000               | \$53,591                |
| Mr Martin Otway  | \$40,000               | N/A                     |

- (i) if the Related Party Options granted to the Related Parties are exercised, a total of 18,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 303,546,682 to 321,546,682 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 5.9%, comprising 3.29% by Mr Peter McNeil and 0.66% by each of Mr Staude, Mr Swain, Mr Fish and Mr Otway.

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

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out in Section 3.4.
- (k) the Board acknowledges the grant of Related Party Options to Messrs Swain, Fish, Staude and Otway who are all non-executive directors, is contrary to Recommendation 8.3 of the Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) as published by The ASX Corporate Governance Council. However, Mr McNeil, being the only executive director, considers the grant of Related Party Options to Messrs Swain, Fish, Staude and Otway reasonable in the circumstances for the reasons set out in paragraph (m);
- (l) the primary purpose of the grant of the Related Party Options to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors;
- (m) Mr Peter McNeil declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 2 be passed. However, in respect of Resolutions

3 to 6, Mr Peter McNeil recommends that Shareholders vote in favour of those Resolutions for the following reasons:

- (i) the grant of Related Party Options to the Related Parties, in particular, the vesting conditions of the Related Party Options, will align the Directors' interests of the Related Parties with those of Shareholders;
  - (ii) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
  - (iii) it is not considered that there are any significant opportunity costs to the Company or opportunities foregone by the Company in granting the Related Party Options upon the terms proposed;
- (n) Mr Warren Staude declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 3 be passed. However, in respect of Resolutions 2 and 4 to 6, Mr Staude recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);
- (o) Mr Hugh Swain declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 4 be passed. However, in respect of Resolutions 2, 3, 5 and 6, Mr Swain recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);
- (p) Mr Graham Fish declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 5 be passed. However, in respect of Resolutions 2 to 4 and 6, Mr Fish recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);
- (q) Mr Martin Otway declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 6 be passed. However, in respect of Resolutions 2 to 5, Mr Otway recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);
- (r) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the exercise price and expiry date of those Related Party Options; and
- (i) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 2 to 6.

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

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## 6. ENQUIRIES

Shareholders are requested to contact Ms Julia Beckett on (+ 61 8) 9295 0388 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**\$** means Australian dollars.

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

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of Frontier.

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

**Capital Reduction** means the equal reduction of capital of the Company proposed to be satisfied by the distribution and transfer to Eligible Shareholders (in proportion to their holdings of Shares) of Torque Shares held by Frontier.

**Chair** means the chair of the Meeting.

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

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

**Company** or **Frontier** means Frontier Resources Limited (ACN 095 684 389).

**Constitution** means Frontier's constitution.

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

**Directors** or **Frontier Directors** means the current directors of Frontier.

**Eligible Shareholder** means a Shareholder that:

- (a) has bought their Shares on ASX prior to the "ex return of capital" date and held those Shares to that date or later; or
- (b) is otherwise entitled at the Record Date in other limited circumstances pursuant to the ASX Settlement Operating Rules (i.e. the issue of new Shares through the exercise of Options).

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Frontier Annual General Meeting** means the annual general meeting of the Company convened for 30 November 2012.

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

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**JORC Code** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 Edition) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

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

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option or Related Party Option as the context requires.

**Proxy Form** means the proxy form accompanying the Notice.

**Record Date** means the record date of the Capital Reduction as set out in the timetable at the commencement of this Notice.

**Related Party Option** means an Option issued pursuant to Resolutions 2 to 6 with the terms and conditions set out in Schedule 4.

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

**Section** means a section of the Explanatory Statement.

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

**Shareholder** or **Frontier Shareholder** means a holder of a Share.

**Tenements or Tasmanian Project** means those tenements EL 29/2009, EL 42/2010, EL 20/1996, EL 33/2010, EL 6/2011, RL 3/2005, EL 27/2011 and EL 21/2011.

**Torque** means Torque Mining Limited (ACN 156 369 336).

**Torque Directors** means the current directors of Torque as set out in Section 2.7.

**Torque Option** means an option to acquire a Share.

**Torque Shares** means a fully paid ordinary share in the capital of Torque.

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

**SCHEDULE 1 – PRO-FORMA STATEMENT OF FINANCIAL POSITION FOR FRONTIER RESOURCES LIMITED AND TORQUE MINING LIMITED**

|  | <b>Frontier Group<br/>30 June 2012<br/>Audited</b> | <b>Frontier<br/>Pro-forma</b> | <b>Torque<br/>Pro-forma</b> |
|--|--|-------------------------------|-----------------------------|
| <b>ASSETS</b>                          |  |                               |                             |
| <b>Current Assets</b>                  |  |                               |                             |
| Cash and cash equivalents              | 2,862,050  | 1,885,735                     | 976,315                     |
| Trade and other receivables            | 124,826  | 124,826                       | 0                           |
| <b>Total Current Assets</b>            | <b>2,986,876</b>                                   | <b>2,010,561</b>              | <b>976,315</b>              |
| <b>Non-Current Assets</b>              |  |                               |                             |
| Trade and other receivables            | 222,632  | 430,925                       | 0                           |
| Plant and equipment                    | 2,977,882  | 2,977,882                     | 0                           |
| Investments                            | 0  | 2,176,872                     | 0                           |
| Exploration and evaluation expenditure | 2,176,872  | 0                             | 2,176,872                   |
| <b>Total Non-Current Assets</b>        | <b>5,377,386</b>                                   | <b>5,585,679</b>              | <b>2,176,872</b>            |
| <b>Total Assets</b>                    | <b>8,364,262</b>                                   | <b>7,596,240</b>              | <b>3,153,187</b>            |
| <b>LIABILITIES</b>                     |  |                               |                             |
| <b>Current Liabilities</b>             |  |                               |                             |
| Trade and other payables               | 837,409  | 837,409                       | 0                           |
| Other liabilities                      | 976,315  | 0                             | 208,293                     |
| <b>Total Current Liabilities</b>       | <b>1,813,724</b>                                   | <b>837,409</b>                | <b>208,293</b>              |
| <b>Total Liabilities</b>               | <b>1,813,724</b>                                   | <b>837,409</b>                | <b>208,293</b>              |
| <b>Net Assets</b>                      | <b>6,550,538</b>                                   | <b>6,758,831</b>              | <b>2,944,894</b>            |
| <b>EQUITY</b>                          |  |                               |                             |
| Contributed equity                     | 31,338,457   | 31,338,457                    | 3,153,187                   |
| Reserves                               | 2,912,447  | 2,912,447                     | 0                           |
| Accumulated losses                     | -27,700,366  | -27,492,073                   | -208,293                    |
| <b>Total Equity</b>                    | <b>6,550,538</b>                                   | <b>6,758,831</b>              | <b>2,944,894</b>            |

**Notes:**

Torque purchased Frontier's Tasmanian Projects in June 2012 for 40m Torque Shares. It was deemed that the value of these Torque Shares was \$2,176,872, being the capitalised value of the Tenements transferred. As these Torque Shares were not issued until July 2012, this amount was a receivable in Frontier and a liability in Torque at 30 June 2012, and translated to equity in July 2012 where it is represented in the pro-forma figures.

Torque also collected \$976,315 in cash by 30 June 2012, pursuant to its seed capital raising. As these Torque Shares were not issued until July 2012, this amount was a liability at 30 June 2012, and transferred to equity in July 2012 where it is represented in the pro-forma figures.

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## SCHEDULE 2 – TENEMENT INFORMATION

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### 1. SCOPE

This information on tenements is prepared for inclusion as an annexure to the Notice of General Meeting of Frontier Resources Limited (**Company**).

This summary set out information on the seven (7) Tasmanian exploration licences and one (1) Tasmanian retention licence (together, the **Tenements**), which the Company has demerged to Torque Mining Limited (currently 65.6% owned by the Company).

Details of the Tenements are set out in Part I of the attached Schedule.

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### 2. SEARCHES

For the purposes of this summary, the following searches and enquiries in respect of all of the Tenements have been made (**Searches**):

- (a) searches of the Tenements from the registers maintained by the Mineral Resources Tasmania of the Department of Infrastructure, Energy and Resources on 19 October 2012 in relation to the Tenements; and
- (b) results of searches of the schedule of native title applications, register of native title claims, national native title register, register of indigenous land use agreements and notified indigenous land use agreements as maintained by the National Native Title Tribunal (**NNTT**) for any native title claims (registered or unregistered), native title determinations and indigenous land use agreements (**ILUAs**) that overlap or apply to the Tenements. This material was obtained on 19 October 2012. Details of any native title claims (registered or unregistered), native title determinations and ILUAs are set out in Section 5 of this summary and Part II of this summary.

Key details on the status of the Tenements are set out in Part I of the Schedule.

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### 3. DESCRIPTION OF THE TENEMENTS

The Tenements comprise seven (7) exploration licences and one (1) retention licence granted under the *Mineral Resources Development Act 1995* (Tas) (**Mining Act**). The Schedule provides a list of the Tenements. The sections below provide a description of the nature and key terms of these types of mining tenements as set out in the Mining Act and potential successor tenements.

#### 3.1 Exploration licence

- (a) **Application:** A person may lodge an application for an exploration licence in accordance with the Mining Act and the Minister responsible for the Mining Act (**Minister**) will determine whether to grant the application.
- (b) **Rights:** The holder of an exploration licence is permitted to enter on to and pass over all Crown land for the purposes of exploration. The holder of an exploration licence is also permitted to enter on to and pass over all private land provided 14 days written notice is given to the any owner or occupier of affected land.
- (c) **Term:** An exploration licence is issued for 5 years and extends for this period unless revoked earlier. Renewals may be granted for further periods as the Minister determines. The Minister must renew an exploration licence if certain conditions are satisfied.
- (d) **Conditions:** The Minister may grant an exploration licence subject to any conditions the Minister considers appropriate. The Minister may vary any condition of the exploration licence by rescinding, adding, substitution, or amending a condition. A failure to comply

with conditions of an exploration licence may lead to revocation of the exploration licence.

- (e) **Right to apply for mining lease:** Pursuant to Part 4 of the Mining Act the holder of an exploration licence has the exclusive right to apply for a mining lease over the land within the area of the licence for the minerals specified in the licence, subject to any conditions considered appropriate by the Minister.
- (f) **Transfer:** An exploration licence may be transferred by completing the Application for Lease or Licence Transfer form and payment of the prescribed fee. An exploration licence may be transferred with the approval of the Minister.

### 3.2 Retention licence

- (a) **Application:** The holder of an exploration licence or a lease has the exclusive right to apply to the Minister for a retention licence. The Minister may approve the application where the Minister is satisfied that the land comprised in the licence is likely to be able to be effectively and efficiently mined for the minerals to which the licence is to relate, there is sufficient quantity of minerals to justify mining, the applicant is justified for economic or other reasons not to proceed to mine and the applicant has provided a security deposit. An application for a retention licence may be transferred subject to any prescribed conditions and payment of the prescribed fee.
- (b) **Rights:** The holder of a retention licence is entitled to carry out any of the following which is necessary to evaluate the potential for mining: geological, geophysical and geochemical exploration programs, mining feasibility studies, metallurgical testing, environmental studies, marketing studies, engineering and design studies and enter on to and pass over all Crown land for the purposes of exploration. The holder of a retention licence is also permitted to enter on to and pass over all private land provided 14 days written notice is given to the any owner or occupier of affected land.
- (c) **Term:** A retention licence will have a term of 5 years, and can be extended for a further 5 years.
- (d) **Conditions:** The Minister may grant a retention licence subject to any conditions the Minister considers appropriate. The Minister may vary or rescind any condition of the retention licence.. A failure to comply with conditions of a retention licence may lead to revocation of the retention licence.
- (e) **Priority to apply for mining lease:** Pursuant to Part 4 of the Mining Act the holder of a retention licence has the exclusive right to apply for a mining lease over the land within the area of the licence for the minerals specified in the licence, subject to any conditions considered appropriate by the Minister.
- (f) **Transfer:** The consent of the Minister is required to transfer a retention licence.

### 3.3 Mining lease

- (a) **Application:** Any person may lodge an application for a mining lease, although a holder of an exploration licence or retention licence over the relevant area has the exclusive right to mark out and apply for a lease in respect of the area or part of the area of land comprised in the licence and the minerals specified in the licence. The Minister decides whether to grant an application for a mining lease.
- (b) **Rights:** The holder of a mining lease is entitled to carry out mining operations in the area of land specified in the lease for minerals specified in the lease and, for that purpose, to enter on and pass over Crown Land and to enter on, or carry out mining operations on, private land within the mining lease if a compensation agreement is in force with the owner or occupier of that land.

- (c) **Term:** A mining lease, unless revoked earlier, is in force the period determined by the Minister. A lessee may apply to the Minister for renewal of a mining lease not more than 3 months before and not later than one month after the mining lease ceases to be in force.
- (d) **Conditions:** The Minister may grant a mining lease subject to any conditions the Minister considers appropriate. The Minister may vary or rescind any condition of the mining lease. A failure to comply with the conditions may lead to forfeiture of the mining lease.
- (e) **Transfer:** The consent of the Minister is required to transfer a mining lease.

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#### 4. ABORIGINAL HERITAGE

There may be areas or objects of Aboriginal heritage located on the Tenements.

No searches have been undertaken to whether any Aboriginal sites or objects have been registered in the vicinity of the Tenements, as there is no obligation under the relevant legislation to register sites or objects and the exact location of Aboriginal sites within the area of a known site cannot be ascertained from these searches.

It is important to note that an Aboriginal site may:

- (a) exist in any area of Tasmania;
- (b) not have been recorded in the Register of Aboriginal Sites or elsewhere; and
- (c) not have been identified in previous heritage surveys or reports on that area,

but remains protected under the *Aboriginal Relics Act 1975* (Tas) . Therefore, the absence of any reference to an Aboriginal site of interest from the Aboriginal Heritage Inquiry System is not conclusive.

Information from the Commonwealth in connection with any places, areas and objects, which are registered or recognised in the National Heritage List, the Commonwealth Heritage List or other heritage lists or registers maintained by the Commonwealth has not been obtained.

The Company must ensure that it does not breach the Commonwealth and applicable State legislation relating to Aboriginal heritage as set out below. To ensure that it does not contravene such legislation, it would be prudent for the Company (and it would accord with industry practice and Aboriginal expectations) to conduct heritage surveys to determine if any Aboriginal sites or objects exist within the area of the Tenements. Any interference with these sites or objects must be in strict conformity with the provisions of the relevant legislation. It may also be necessary for the Company to enter into separate arrangements with the traditional owners of the sites.

##### 4.2 Commonwealth Legislation

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (**Commonwealth Heritage Act**) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Tenements.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the Commonwealth Heritage Act.

##### 4.3 Tasmanian Legislation

Aboriginal heritage in Tasmania is protected under the *Aboriginal Relics Act 1975* (Tas) (**Relics Act**).



The Relics Act protects Aboriginal 'relics', 'protected sites' and 'protected objects'. If the Minister for Aboriginal Affairs is satisfied that there is a relic on particular land, and that steps should be taken to protect or preserve that relic, the Minister may make an order declaring that the land is a protected site. A relic specified in such an order is a protected object for the purposes of the Act.

It is an offense under the Relics Act to:

- (a) destroy, damage, disfigure, conceal, or otherwise interfere with a protected object or relic;
- (b) carry out an act which is likely to endanger a protected object;
- (c) remove a relic from where it was found or abandoned;
- (d) sell or otherwise dispose of a relic or remove it from the State;
- (e) destroy, damage, or deface, or otherwise interfere with any fencing or notice erected, or any other work carried out in or in respect of a protected site under the Relics Act, other than in accordance with a permit granted by the Director of National Parks and Wildlife; or
- (f) remove a protected object from a protected site, other than in accordance with a permit granted by the Minister.

In addition, any person who finds a relic must (with limited exceptions), inform the director or an authorised officer as soon as practicable after the find.

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## 5. NATIVE TITLE

### 5.1 Introduction

This section examines the effect of native title on the Tenements.

The existence of native title rights held by indigenous Australians was first recognised in Australia in 1992 by the High Court in the case *Mabo v. Queensland (no.2)* (1992) 175 CLR 1 (**Mabo no.2**).

The High Court in *Mabo no. 2* held that certain land tenure existing as at the date of that case, including mining tenements, where granted or renewed without due regard to native title rights, were invalid. The High Court concluded that:

- (a) native title has been wholly extinguished in respect of land the subject of freehold, public works or other previous “exclusive possession” acts; and
- (b) native title has been partially extinguished as a result of the grant of “non-exclusive possession” pastoral leases and mining leases, and also as a result of the creation of certain reserves.

As a result of *Mabo no. 2*, the *Native Title Act 1993* (Cth) (**NTA**) was passed to:

- (c) provide a process for indigenous people to lodge claims for native title rights over land, for those claims to be registered by the NNTT and for the Courts to assess native title claims and determine if native title rights exist. Where a Court completes the assessment of a native title claim, it will issue a native title determination that specifies whether or not native title rights exist;
- (d) provide (together with associated State legislation) that any land tenures granted or renewed before 1 January 1994 were valid despite *Mabo no. 2* (**Past Acts**). This retrospective validation of land tenure was subsequently extended by the NTA to include freehold and certain leasehold (including pastoral leases) granted or renewed before 23 December 1996 (**Intermediate Period Acts**). Broadly speaking, this means that native title is not extinguished, merely suspended, for the duration of the mining tenement; and

- (e) provide that an act that may affect native title rights (such as the grant or renewal of a mining tenement) carried out after 23 December 1996 (a **Future Act**) must comply with certain requirements for the Future Act to be valid under the NTA. These requirements are called the **Future Act Provisions**.

## 5.2 Future Act Provisions

The Future Act Provisions vary depending on the Future Act to be carried out. In the case of the grant of a mining tenement, typically there are four alternatives: the Right to Negotiate, an ILUA, the Infrastructure Process (defined below) and the Expedited Procedure. These are summarised below.

### Right to Negotiate

The Right to Negotiate involves a formal negotiation between the State, the applicant for the tenement and any registered native title claimants and holders of native title rights. The aim is to agree the terms on which the tenement can be granted. The applicant for the tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title. The parties may also agree on conditions that will apply to activities carried out on the tenement (eg in relation to heritage surveys). The classes of conditions typically included in a mining agreement are set out at section 5.3 below.

If agreement is not reached to enable the tenement to be granted, the matter may be referred to arbitration before the NNTT, which has six (6) months to decide whether the State, the applicant for the tenement and any registered native title claimants and holders of native title rights have negotiated in good faith (only if the issue is raised by one of the parties) and then whether the tenement can be granted and if so, on what conditions. The earliest an application for arbitration can be made to the NNTT is six (6) months after the date of notification of commencement of negotiations by the DMP.

If the Right to Negotiate procedure is not observed, the grant of the mining tenement will be invalid to the extent (if any) that it affects native title.

### ILUA

An ILUA is a contractual arrangement governed by the NTA. Under the NTA, an ILUA must be negotiated with all registered native title claimants for a relevant area. The State and the applicant for the tenement are usually the other parties to the ILUA.

An ILUA must set out the terms on which a tenement can be granted. An ILUA will also specify conditions on which activities may be carried out within the tenement. The applicant for a tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title in return for the grant of the tenement being approved. These obligations pass to a transferee of the tenement.

Once an ILUA is agreed and registered, it binds the whole native title claimant group and all holders of native title in the area (including future claimants), even though they may not be parties to it.

### Infrastructure Process

The NTA establishes a simplified process for the carrying out of a Future Act that is the creation of a right to mine for the sole purpose of the construction of an infrastructure facility (**Infrastructure Process**). The NTA defines infrastructure facility to include a range of transportation, marine, aeronautical, electrical, oil, gas, mineral and communication facilities. In Western Australia, DMP applies the Infrastructure Process to two classes of mining tenements:

- (a) miscellaneous licences for most purposes under the Mining Regulations 1981 (WA) that but, notably, not for a mine site administration facility or a mine site accommodation facility (both of which are dealt with under the Right to Negotiate) or for a search for groundwater (which is dealt with under the Expedited Procedure); and

- (b) most general purpose leases.

The State commences the Infrastructure Process by giving notice of the proposed grant of the tenement to any registered native title claimants or native title holders in relation to the land to be subject to the tenement. Those registered native title claimants or holders have two (2) months after the notification date to object in relation to the effect of the grant of the tenement on any registered or determined native title rights. Any objection is lodged with DMP.

If a registered native title claimant or holder objects, the applicant for the tenement must consult with that claimant or holder about:

- (a) ways of minimising the effect of the grant of the tenement on any registered or determined native title rights;
- (b) if relevant, any access to the land; and
- (c) the way in which anything authorised by the tenement may be done.

If the registered native title claimant or holder does not subsequently withdraw their objection, the State is required to ensure that the objection is heard by an independent person. The independent person must determine whether or not the registered native title claimant or holder's objection should be upheld or other conditions should be imposed on the tenement.

#### **Expedited Procedure**

The NTA establishes a simplified process for the carrying out of a Future Act that is unlikely to adversely affect native title rights (**Expedited Procedure**). The grant of a tenement can occur under the Expedited Procedure if:

- (a) the grant will not interfere directly with the carrying on of the community or social activities of the persons who are the holders of native title in relation to the land;
- (b) the grant is not likely to interfere with areas or sites of particular significance, in accordance with their traditions, to the persons who are holders of native title in relation to the land; and
- (c) the grant is not likely to involve major disturbance to any land or waters concerned or create rights whose exercise is likely to involve major disturbance to any land.

If the State considers the above criteria are satisfied, it commences the Expedited Procedure by giving notice of the proposed grant of the tenement in accordance with the NTA. Persons have until three (3) months after the notification date to take steps to become a registered native title claimant or native title holder in relation to the land to be subject to the tenement.

If there is no objection lodged by a registered native title claimant or a native title holder within four (4) months of the notification date, the State may grant the tenement.

If one or more registered native title claimants or native title holders object within that four (4) month notice period, the NNTT must determine whether the grant is an act attracting the Expedited Procedure. If the NNTT determines that the Expedited Procedure applies, the State may grant the tenement. Otherwise, the Future Act Provisions (eg Right to Negotiate or ILUA) must be followed before the tenement can be granted.

#### **Exception to requirement to comply with Future Act Provisions**

The grant of a tenement does not need to comply with the Future Act Provisions if in fact native title has never existed over the land covered by the tenement, or has been validly extinguished prior to the grant of the tenement. The extensive research needed to determine if in fact native title does not exist, or has been validly extinguished in relation to the Tenements has not been undertaken for the purposes of this summary.

Unless it is clear that native title does not exist (eg in relation to freehold land), the usual practice of the State is to comply with the Future Act Provisions when granting a tenement. This ensures the grant will be valid in the event a court determines that native title rights do exist over the land subject to the tenement.

Where a tenement has been retrospectively validated or validly granted under the NTA, the rights under the tenement prevail over any inconsistent native title rights.

### **Application to the Tenements**

The following sections identify:

- (a) any native title claims (registered or unregistered), native title determinations and ILUAs in relation to the Tenements (see Section 5.3);
- (b) any Tenements which have been retrospectively validated under the NTA as being granted before 23 December 1996 (see Section 5.4);
- (c) any Tenements which have been granted after 23 December 1996 and as such will need to have been granted following compliance with the Future Act Provisions to be valid under the NTA. This summary assumes that the Future Act Provisions have been complied with in relation to these Tenements (see Section 5.4); and
- (d) any Tenements which are yet to be granted and as such may need to be granted in compliance with the Future Act Provisions in order to be valid under the NTA (see Section 5.4).

### **5.3 Native title claims, native title determinations and ILUAs**

The Searches did not return any results for native title claims or native title determinations in relation to any of the Tenements.

The Searches did not return any results for ILUAs in relation to any of the Tenements.

### **5.4 Validity of Tenements under the NTA**

The sections below examine the validity of the Tenements under the NTA.

#### **Tenements granted before 1 January 1994 (Past Acts)**

The Searches indicate that none of the Tenements were granted before 1 January 1994.

#### **Tenements granted between 1 January 1994 and 23 December 1996 (Intermediate Period Acts)**

The Searches indicate that none of the Tenements were granted after 1 January 1994 but before 23 December 1996.

#### **Tenements granted after 23 December 1996**

The Searches indicate that the following Tenements were granted after 23 December 1996.

| <b>Tenement</b> | <b>Date of Grant</b> |
|-----------------|----------------------|
| EL 20/1996      | 10/04/1997           |
| EL29/2009       | 13/09/2010           |
| EL33/2010       | 29/03/2011           |
| EL42/2010       | 03/04/2011           |
| EL6/2011        | 24/11/2011           |

| Tenement  | Date of Grant |
|-----------|---------------|
| EL21/2011 | 05/12/2011    |
| EL27/2011 | 23/11/2011    |
| RL3/2005  | 12/05/2006    |

It has been assumed that these Tenements were granted in accordance with the Future Act Provisions and as such are valid under the NTA.

#### **Tenements renewed after 23 December 1996**

Renewals of mining tenements made after 23 December 1996 must comply with the Future Act Provisions in order to be valid under the NTA.

An exception is where the renewal is the first renewal of a mining tenement that was validly granted before 23 December 1996 and the following criteria are satisfied:

- the area to which the mining tenement applies is not extended;
- the term of the renewed mining tenement is not longer than the term of the old mining tenement; and
- the rights to be created are not greater than the rights conferred by the old mining tenement.

In such cases, the mining tenement can be renewed without complying with the Future Act Provisions. It is currently uncertain whether this exemption applies to a second or subsequent renewal of such a mining tenement.

The Searches indicate that none of the Tenements were renewed after 23 December 1996.

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## **6. QUALIFICATIONS AND ASSUMPTIONS**

This information has been prepared on the following qualifications and assumptions:

- it has been assumed the accuracy and completeness of all tenement searches, register extracts and other information or responses which were obtained from the relevant department or authority including the NNTT;
- it is assumed that the registered holder of a tenement has valid legal title to the Tenements;
- this information does not cover any third party interests, including encumbrances, in relation to the Tenements that are not apparent from our searches and the information provided to us;
- it is assumed that any agreements in relation to the Tenements are authentic, were within the powers and capacity of those who executed them, were duly authorised, executed and delivered and are binding on the parties to them;
- with respect to the granting of the Tenements, it has been assumed that the State and the applicant for Tenements have complied with the applicable Future Act Provisions;
- unless apparent from the Searches, it has been assumed that there has been compliance with the requirements necessary to maintain a Tenement in good standing;
- references in the Schedule to any area of land are taken from details shown on searches obtained from the relevant department. It is not possible to verify the accuracy of those areas without conducting a survey; and

- (h) the information in Parts I and II of this summary is accurate as at the date the relevant Searches were obtained. No comment on whether any changes have occurred in respect of the Tenements between the date of the Searches and the date of this information can be made; and
- (i) where Ministerial consent is required in relation to the transfer of any Tenement, no opinion is expressed as to whether such consent will be granted, or the consequences of consent being refused.

**PART I – TENEMENT SCHEDULE**

| TENEMENT  | REGISTERED HOLDER<br>/ APPLICANT                                       | SHARES HELD   | GRANT DATE | EXPIRY<br>DATE | AREA<br>SIZE (sq<br>km)          | ANNUAL<br>RENT<br>(NEXT<br>RENTAL<br>YEAR) | MINIMUM<br>ANNUAL<br>EXPENDITURE | REGISTERED<br>DEALINGS<br>/ENCUMBRANCES | NATIVE TITLE<br>AND<br>ABORIGINAL<br>HERITAGE | NOTES   |
|-----------|--|---|------------|----------------|----------------------------------|--|----------------------------------|---|---|---------|
| EL20/1996 | Torque Mining Limited and Exploration + Management Consultants Pty Ltd | 90% Torque Mining Limited and<br>10% Exploration + Management Consultants Pty Ltd | 10/04/2007 | 11/06/2013     | Current Area: 11km <sup>2</sup>  | Not specified                              | Not specified                    | None                                    | None identified                               | 1 and 2 |
| EL29/2009 | Torque Mining Limited  | 90% Torque Mining Limited and 10% Frontier Resources Limited                      | 13/09/2010 | 12/09/2015     | Current Area: 112km <sup>2</sup> | Not specified                              | Not specified                    | None                                    | None identified                               | 3       |
| EL33/2010 | Torque Mining Limited and Exploration + Management Consultants Pty Ltd | 90% Torque Mining Limited and<br>10% Exploration + Management Consultants Pty Ltd | 29/03/2011 | 28/03/2016     | Current Area: 210km <sup>2</sup> | Not specified                              | Not specified                    | None                                    | None identified                               | 4       |
| EL42/2010 | Torque Mining Limited  | 90% Torque Mining Limited and 10% Frontier Resources Limited                      | 03/04/2011 | 02/04/2016     | Current Area: 9km <sup>2</sup>   | Not specified                              | Not specified                    | None                                    | None identified                               | 1 and 5 |
| EL6/2011  | Torque Mining Limited  | 90% Torque Mining Limited and 10% Frontier Resources Limited                      | 24/11/2011 | 23/11/2011     | Current Area: 101km <sup>2</sup> | Not specified                              | Not specified                    | None                                    | None identified                               | 1 and 6 |

| TENEMENT  | REGISTERED HOLDER<br>/ APPLICANT | SHARES HELD   | GRANT DATE | EXPIRY<br>DATE | AREA<br>SIZE (sq<br>km)                | ANNUAL<br>RENT<br>(NEXT<br>RENTAL<br>YEAR) | MINIMUM<br>ANNUAL<br>EXPENDITURE | REGISTERED<br>DEALINGS<br>/ENCUMBRANCES | NATIVE TITLE<br>AND<br>ABORIGINAL<br>HERITAGE | NOTES      |
|-----------|----------------------------------|---|------------|----------------|--|--|----------------------------------|---|---|------------|
| EL21/2011 | Torque Mining<br>Limited         | 90% Torque<br>Mining Limited<br>and 10% Frontier<br>Resources Limited | 05/12/2011 | 04/12/2016     | Current<br>Area:<br>144km <sup>2</sup> | Not<br>specified                           | Not specified                    | None                                    | None identified                               | 1 and<br>7 |
| EL27/2011 | Torque Mining<br>Limited         | 90% Torque<br>Mining Limited<br>and 10% Frontier<br>Resources Limited | 23/11/2011 | 22/11/2016     | Current<br>Area:<br>100km <sup>2</sup> | Not<br>specified                           | Not specified                    | None                                    | None identified                               | 1 and<br>8 |
| RL3/2005  | Torque Mining<br>Limited         | 90% Torque<br>Mining Limited<br>and 10% Frontier<br>Resources Limited | 12/05/2006 | 12/05/2013     | Current<br>Area:<br>3km <sup>2</sup>   | Not<br>specified                           | Not specified                    | None                                    | None identified                               | 1 and<br>9 |

#### Key to Tenement Schedule

EL – Exploration Licence

RL – Retention Licence



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## NOTES

1. IN RELATION TO THE “SHARES HELD” SETTLEMENT HAS OCCURRED ON THE TRANSFER OF THE TENEMENT, BUT TITLE HAS NOT YET BEEN TRANSFERRED.
2. ON 18 JUNE 2010 THE COMPANY PAID A \$100,000 SECURITY DEPOSIT.
3. ON 23 APRIL 2010 THE COMPANY PAID A \$10,000 SECURITY DEPOSIT.
4. ON 21 DECEMBER 2010 THE COMPANY PAID A \$12,000 SECURITY DEPOSIT.
5. ON 19 JANUARY 2011 THE COMPANY PAID AN \$18,000 SECURITY DEPOSIT.
6. ON 22 MARCH 2011 THE COMPANY PAID A \$27,000 SECURITY DEPOSIT FOR EL3/2011 AND EL6/2011.
7. ON 30 JUNE 2011 THE COMPANY PAID A \$10,000 SECURITY DEPOSIT.
8. ON 30 JUNE 2011 THE COMPANY PAID A \$15,000 SECURITY DEPOSIT
9. ON 8 JUNE 2010 THE COMPANY PAID A \$9,500 SECURITY DEPOSIT. ON 818 JULY 2011 THE COMPANY PAID A \$5,500 SECURITY DEPOSIT.

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**PART II – NATIVE TITLE**

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**NATIVE TITLE CLAIMS**

None

**NATIVE TITLE DETERMINATIONS**

None

**ILUAs**

None

**HERITAGE & COMPENSATION AGREEMENTS**

None

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## SCHEDULE 3 – TAXATION CONSEQUENCE OF CAPITAL REDUCTION AND IN SPECIE DISTRIBUTION

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The following comments are based on the application of Australian taxation laws in force at the date of this Notice, and are only intended as a general outline of the Australian income tax consequences for Shareholders who participate in the Capital Reduction and in specie distribution. Should there be any amendment to the tax law between the date of this Notice and the date of the Capital Reduction and in specie distribution, the implications below may change.

The views expressed in this summary are not intended as specific advice to Shareholders and should not be relied on as such. The application of tax legislation may vary according to the individual circumstances of Shareholders. In this regard, the comments below are only relevant to those Shareholders who are residents of Australia for income tax purposes and hold their Shares on capital account (i.e. have not been held for the purpose of resale or as trading stock). The income tax consequences may differ where the Shares are held on revenue account, as trading stock or as part of institutions or tax-exempt organisations. It should be emphasised that these comments are general in nature, may not be applicable to your individual circumstances and cannot be relied upon for accuracy or completeness.

**You should therefore seek and rely on your own independent taxation advice in relation to the taxation consequences of the Capital Reduction and in specie distribution. Neither the Company nor any of its officers, or its advisers accept liability or responsibility with respect to such consequences.**

### Receipt of Torque Shares

Generally, a receipt of Torque Shares will be a tax event for a Shareholder.

Taxation can arise under capital gains tax rules, and also as an assessable dividend, depending on the individual circumstances of a Shareholder.

#### 1. Choice to apply rollover

Notwithstanding the receipt of Torque Shares being a tax event for a Shareholder it is possible a Shareholder could choose to obtain a rollover under the demerger rules in Division 125 of the *Income Tax Assessment Act 1997* (the *1997 Act*).

If a Shareholder is able and chooses to obtain a rollover then any capital gain or capital loss the Shareholder makes on the receipt of Torque Shares is disregarded.

In these circumstances the cost base and reduced cost base of the Shareholder's Shares in the Company just before the Capital Reduction and in specie distribution must be allocated between the Shareholder's Shares in the Company and the Shareholder's Torque Shares just after the in specie distribution on a reasonable basis having regard to the market values of the Shareholder's Shares in the Company and the Shareholder's Torque Shares just after the in specie distribution.

In the above circumstances the Shareholder will be taken to have acquired the Shareholder's Torque Shares when they acquired their corresponding Shares in the Company for the purpose of determining any entitlement to a discount on a capital gain arising on a future tax event relating to the Shareholder's Torque Shares.

Further in the above circumstances the Shareholder will not be required to include any amount in the Shareholder's assessable income as a dividend as a result of receiving Torque Shares.

Each Shareholder must consider their individual circumstances and independently obtain their own advice to determine whether they are able to choose to obtain a rollover under the demerger rules relating to their receipt of Torque Shares. The Company will not be applying for a class ruling from the Australian Taxation Office relating to the application or otherwise of the demerger rules in Division 125 of the *1997 Act*, or Section 45B of the *Income Tax Assessment Act 1936* (the *1936 Act*), to the in specie distribution.

#### 2. No choice to apply rollover

If a Shareholder is not able, or is able and decides not to choose to obtain a rollover under the demerger rules then the receipt of Torque Shares will be a tax event for the Shareholder.

The in specie distribution will occur by the Company distributing Torque Shares in part from share capital. Accordingly taxation will arise under the capital gains tax rules, and also as an assessable dividend.

## **2.1      *Capital gains tax***

The receipt of Torque Shares will be subject to the capital gains tax rules to the extent Torque Shares are distributed by the Company to a Shareholder from share capital.

To this extent the cost base of the Shareholder's Shares in the Company will be reduced.

If this reduction exceeds the cost base of the Shareholder's Shares in the Company then the Shareholder will derive a capital gain equal to the excess. The cost base of the Shareholder's Shares in the Company will be reduced to nil in these circumstances.

A Shareholder may be entitled to treat any capital gain as a discount capital gain if the Shareholder acquired their Share in the Company upon which the in specie distribution is made at least 12 months before the in specie distribution occurs, and the Shareholder is otherwise eligible to make a discount capital gain.

## **2.2      *Dividend***

The receipt of Torque Shares will be assessable to a Shareholder as a dividend to the extent Torque Shares are distributed by the Company to a Shareholder other than from share capital.

The dividend will be unfranked.

Each Shareholder must consider their individual circumstances and independently obtain their own advice to determine whether the receipt of Torque Shares will be subject to the capital gains tax rules to the extent Torque Shares are distributed by the Company to a Shareholder from share capital. The Company will not be applying for a class ruling from the Australian Taxation Office relating to the application or otherwise of the capital streaming rules in Section 45B and Section 45BA of the 1936 Act to the in specie distribution.

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**SCHEDULE 4 – TERMS AND CONDITIONS OF RELATED PARTY OPTIONS**

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- (a) **Entitlement**  
Subject to paragraph (m), each Option entitles the holder to subscribe for one Share upon exercise of the Option.
- (b) **Exercise Price**  
Subject to paragraphs (j) and (l), the Options have an exercise price of 145% of the ASX 5-day volume weighted average price prior to the date of Shareholder approval (**Exercise Price**).
- (c) **Expiry Date**  
Each Option will expire at 5.00pm (WST) on 1 November 2017 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) **Exercise Period**  
The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).
- (e) **Notice of Exercise**  
The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- (f) **Exercise Date**  
A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (g) **Timing**  
Within 15 Business Days after the later of the following:
- (i) the Exercise Date; and
  - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,
- but in any case no later than 20 Business Days after the Exercise Date, the Company will:
- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
  - (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
  - (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- If a notice delivered under (g)(iii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
- (h) **Shares issued on exercise**  
Shares issued on exercise of the Options rank equally with the then issued shares of the Company.
- (i) **Quotation of Shares on exercise**  
If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.
- (j) **Reconstruction of capital**  
If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

**(l) Adjustment for rights issue**

In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

**(m) Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

**(n) Unquoted**

The Company will not apply for quotation of the Options on ASX.

**(o) Options transferable**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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**SCHEDULE 5 – VALUATION OF RELATED PARTY OPTIONS**

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The Related Party Options to be issued to the Related Parties pursuant to Resolutions 2 to 6 have been independently valued.

Using the Black & Scholes option model and based on the assumptions set out below, the Related Party Options were ascribed the following value:

|  |  |
|--|--|
| <b>Assumptions:</b>                              |  |
|  |  |
| Valuation date                                   | 9 November 2012  |
| Market price of Shares                           | 6.2 cents  |
| Exercise price                                   | 145% of ASX 5 day VWAP*<br>8.99 cents<br>(based on the 5 day VWAP prior to the valuation date) |
| Expiry date (length of time from issue)          | 1 November 2017 (~4.8 years)   |
| Risk free interest rate                          | 2.765%   |
| Volatility (discount)                            | 75%  |
|  |  |
| <b>Indicative value per Related Party Option</b> | 3.35 cents   |
|  |  |
| <b>Total Value of Related Party Options</b>      | \$603,000  |
|  |  |
| - Peter McNeil                                   | \$335,000  |
| - Warren Staude                                  | \$67,000   |
| - Hugh David Swain                               | \$67,000   |
| - Graham Fish                                    | \$67,000   |
| - Martin Otway                                   | \$67,000   |

\* The actual exercise price of the Options will be determined on the Meeting date when it will be based on 145% of the ASX 5 day volume weighted average price per Frontier Resources Limited Share prior to the Meeting Date.

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

## PROXY FORM

APPOINTMENT OF PROXY  
FRONTIER RESOURCES LIMITED  
ACN 095 684 398

### GENERAL MEETING

I/We

of

being a Shareholder entitled to attend and vote at the Meeting, hereby

appoint

Name of proxy

OR

☐

the Chair as your proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11:00am (WST), on 21 December 2012 at Level 4, 66 Kings Park Road, West Perth, Western Australia, and at any adjournment thereof.

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**

#### Voting on business of the Meeting

Resolution 1 – Equal reduction of capital and in specie distribution  
Resolution 2 – Issue of Options to Related Party – Mr Peter McNeil  
Resolution 3 – Issue of Options to Related Party – Mr Warren Staude  
Resolution 4 – Issue of Options to Related Party – Mr Hugh David Swain  
Resolution 5 – Issue of Options to Related Party – Mr Graham Fish  
Resolution 6 – Issue of Options to Related Party – Mr Martin Otway

| FOR                      | AGAINST                  | ABSTAIN                  |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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

#### Important for Resolutions 2 to 6

If you have not directed your proxy how to vote as your proxy in respect of Resolutions 2 to 6 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

☐

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolutions 2 to 6 (except where I/we have indicated a different voting intention above) and expressly authorise that the Chair may exercise my/our proxy even though Resolutions 2 to 6 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel and acknowledge that the Chair may exercise my/our proxy even if the Chair has an interest in the outcome of Resolutions 2 to 6 and that votes cast by the Chair for Resolutions 2 to 6, other than as proxy holder, will be disregarded because of that interest.

**If the Chair is, or may by default be, appointed your proxy and you do not mark this box, and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolutions 2 to 6 and your votes will not be counted in calculating the required majority if a poll is called on any of Resolutions 2 to 6.**

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

Signature of Member(s):

Date: \_\_\_\_\_

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: \_\_\_\_\_ Contact Ph (daytime): \_\_\_\_\_



## Instructions for Completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Frontier Resources Limited, Level 4, 66 Kings Park Road, West Perth WA 6005; or
  - (b) facsimile to the Company on facsimile number +61 (0) 8 6141 3599; or
  - (c) email to the Company at [info@frontierresources.com.au](mailto:info@frontierresources.com.au),

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy forms received later than this time will be invalid.**



ACN 095 684 389



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## SHORT FORM PROSPECTUS

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**For a proposal to distribute and transfer Torque Shares to Shareholders pursuant to a Capital Reduction being the subject of the Capital Reduction Resolution in the Notice of Meeting.**

### **IMPORTANT NOTICE**

This Prospectus is important and requires your immediate attention. You should read this Prospectus in its entirety and consult your professional adviser in respect of the contents of this Prospectus.

This Prospectus is a short form prospectus prepared in accordance with Section 712 of the Corporations Act. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, but refers to parts of other documents lodged with ASIC, the contents of which are therefore taken to be included in this Prospectus.

The Directors consider an investment in the Torque Shares that will be distributed and transferred under this Prospectus and the Capital Reduction Resolution, to be speculative.

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### 1. CORPORATE DIRECTORY

|   |   |  |
|---|---|--|
| <b>Managing Director &amp; Chairman</b><br>Peter A. McNeil M.Sc.<br><br><b>Non-Executive Directors</b><br>Graham J. Fish<br>Warren J. Staude<br>Hugh David Swain<br>Martin Howard Otway<br><br><b>Company Secretaries</b><br>Jay Stephenson<br>Julia Beckett<br><br><b>Stock Exchange*</b><br>Australian Securities Exchange - FNT<br>German Stock Exchange - TG5 | <b>Registered Office</b><br>Level 4, 66 Kings Park Road<br>West Perth WA 6005<br>Australia<br>Telephone: (08) 6141 3500<br>Facsimile: (08) 6141 3599<br>Email:<br>info@frontierresources.com.au<br>Website:<br><a href="http://www.frontierresources.com.au">www.frontierresources.com.au</a><br><br><b>Postal Address:</b><br>PO Box 52<br>West Perth WA 6872<br>Australia | <b>Share Registry*</b><br>Computershare Investor Services Pty Limited<br>Level 2, 45 St Georges Terrace<br>PERTH WA 6000<br><br><b>Auditors*</b><br>BDO Audit (WA) Pty Ltd<br>38 Station Street<br>Subiaco WA 6008<br><br><b>Bankers*</b><br>Westpac Banking Corporation<br>1/100 Bundall Road<br>Bundall QLD 4217<br><br><b>Lawyers</b><br>Steinepreis Paganin<br>Level 4, 16 Milligan Street<br>Perth, WA 6000 |
|---|---|--|

\*These parties are included for information purposes only. They have not been involved in the preparation of this prospectus.

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## **2. IMPORTANT NOTES**

### **2.1 General**

This Prospectus is dated 15 November 2012 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus, or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with this Prospectus.

This Prospectus, including the Notice of Meeting, is important and should be read in its entirety. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser immediately.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

### **2.2 Short Form Prospectus**

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means this Prospectus alone does not contain all the information that is generally required to satisfy the disclosure requirements of the Corporations Act. Rather, it incorporates all other necessary information by reference to information contained in the Notice of Meeting lodged with ASIC on 13 November 2012.

In referring to the Notice of Meeting, the Company:

- (a) identifies the Notice of Meeting as being relevant to the offer of Torque Shares under this Prospectus and contains information that will provide investors and their professional advisers to assist them in making an informed assessment of:
  - (i) the rights and liabilities attaching to the Torque Shares; and
  - (ii) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company;
- (b) refers investors and their professional advisers to Section O of this Prospectus which summarises the information in the Notice of Meeting deemed to be incorporated in this Prospectus;
- (c) informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the Notice of Meeting by contacting the Company at its registered office during normal business hours during the Application Period; and
- (d) advises that the information in the Notice of Meeting will be primarily of interest to investors and their professional advisers or analysts.

Details of the documents incorporated by reference are set out in Sections 4.3 of this Prospectus.

### **2.3 Web Site – Electronic Prospectus**

A copy of this Prospectus can be downloaded from the website of the Company at [www.frontierresources.com.au](http://www.frontierresources.com.au). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

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### **3. THE OFFER**

#### **3.1 Terms and Conditions of the Offer**

The terms and conditions of the Offer are set out in the Notice of Meeting.

In broad terms, the Notice of Meeting includes the Capital Reduction Resolution under which the Company proposes an equal reduction of capital of an amount assessed by the Directors satisfied by the distribution and transfer of approximately 30,000,000 Torque Shares held by the Company (being 75% of the total number of Torque Shares held by the Company) to all Eligible Shareholders and in respect of the Shares on issue as at the Record Date. Fractional entitlements will be rounded down. Any Torque Shares remaining as a result of the rounding down will be retained by the Company.

The issue of the Notice of Meeting with the Capital Reduction Resolution constitutes an offer by the Company of the Torque Shares to be distributed and transferred to Eligible Shareholders and, accordingly, the Company has prepared this Prospectus to accompany the Notice of Meeting.

#### **3.2 No Quotation of Torque Shares**

As at the date of this Prospectus, the Company is not listed on ASX or any other financial market and it is not intended that an application be made for quotation of the Torque Shares on completion of the Capital Reduction. No assurance, promise or commitment is given (or implied) in this Prospectus or the Notice of Meeting that Torque Shares will be able to be traded on a financial market in Australia or elsewhere in the future.

#### **3.3 Exposure Period**

This Prospectus (including the Notice of Meeting) will be made generally available during the Exposure Period by being posted on the Company's website [www.frontierresources.com.au](http://www.frontierresources.com.au). A paper copy will be made available to Australian residents on request to the Company during the Exposure Period.

#### **3.4 Action Required by Shareholders**

Should Shareholder approval be obtained for the Capital Reduction Resolution then the Torque Shares will be distributed and transferred to Eligible Shareholders in accordance with the terms of the Capital Reduction Resolution and the Company's Constitution, whether you voted for or against the Capital Reduction Resolution or did not vote at all (or did not attend the Meeting).

In accordance with ASIC Class Order 07/10, no application form is required to be completed or returned to participate in the proposed distribution and transfer of Torque Shares under the Capital Reduction and no application form is included in or accompanies this Prospectus.

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## 4. NOTICE OF MEETING TO BE INCORPORATED IN PROSPECTUS

### 4.1 Short Form Prospectus

This Prospectus is a short form prospectus prepared in accordance with section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. However, it incorporates by reference information contained in the Notice of Meeting that has been lodged with the ASIC.

### 4.2 Included Documents

The information to be incorporated by reference into this Prospectus is summarised below in Section 4.3 and will primarily be of interest to investors and their professional advisers or analysts.

The Notice of Meeting will be dispatched to all Shareholders. In addition, the Notice of Meeting will be made generally available during the Application Period by being posted on the Company's website [www.frontierresources.com.au](http://www.frontierresources.com.au)

### 4.3 Notice of Meeting - Summary of Information Deemed to be Incorporated

In accordance with Section 712 of the Corporations Act set out below is a summary of the information contained in the Notice of Meeting that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers for the purposes of making an informed investment decision in relation to the Torque Shares.

The sections referred to in this section 4.3 are references to sections in the Notice of Meeting.

The Notice of Meeting sets out all information known to the Company that is material to the decision on how to vote on the Capital Reduction Resolution:

- (a) **Section 1 – Background to the Capital Reduction Resolution:** Sets out the transaction between Frontier and Torque giving rise to the Capital Reduction Resolution, the corporate structures before and after the Capital Reduction, the rationale for the Capital Reduction including advantages, disadvantages and consequences of not approving the Capital Reduction Resolution.
- (b) **Section 2 – Overview of Torque:** Sets out some background on Torque since incorporation as well as the proposed business model and objectives, capital structure, Torque Directors and key personnel, Torque Director interests, an overview of the Tenements, the exploration strategy and budget, risk factors, material contract summaries and the material rights attaching to Torque Shares.
- (c) **Section 3 – Information on Frontier following completion of the Capital Reduction:** Sets out the effect of the Capital Reduction on Frontier and Shareholders as well as disclosure and lodgement obligations associated with a Capital Reduction.
- (d) **Section 4 – Resolution 1 – Equal reduction in capital and in specie distribution of shares:** Sets out the legislative requirements for an equal reduction of capital and the Directors' recommendations.
- (e) **Schedule 1 – Pro-forma statement of financial position for Frontier Resources Limited & Torque Mining Limited**
- (f) **Schedule 2 – Tenement information:** Sets out information relating to the title of the Tenements and the legislative regime applying to the Tenements.
- (g) **Schedule 3 – Taxation consequences of Capital Reduction and in specie distribution**

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## 5. ADDITIONAL INFORMATION

### 5.1 Interests of Torque Directors

Other than as set out below or elsewhere in this Prospectus or the Notice of Meeting:

- (a) no Torque Director, proposed Torque Director or any related entity of a Torque Director or proposed Torque Director holds, or during the last two years before lodgement of this Prospectus with the ASIC, held, an interest in:
  - (i) the formation or promotion of Torque;
  - (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
  - (iii) the Offer; and
- (b) except as set out in Section 5.2, no amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any Torque Director, proposed Torque Director or any related entity of a Torque Director or proposed Torque Director, either to induce him to become, or to qualify, as a Torque Director or otherwise for services rendered in connection with the formation or promotion of Torque or the Offer.

## 5.2 Remuneration of Torque Directors

In the two years preceding lodgement of this Prospectus, no amounts have been paid or agreed to be paid by Torque by way of annual remuneration for services provided by the Directors, proposed Torque Directors, companies associated with the Torque Directors or proposed Torque Directors or their respective associates in their capacity as Directors, proposed Torque Directors, employees, consultants or advisers:

The proposed annual remuneration (exclusive of statutory superannuation where applicable) following the approval of the Capital Reduction Resolution is set out in the table below. However, no remuneration will be paid or accrue while Torque remains an unlisted company.

| Role                   | Name           | Remuneration |
|------------------------|----------------|--------------|
| Managing Director      | Robert McNeil  | \$170,000    |
| Non-Executive Director | Graham Fish    | \$40,000     |
| Non-Executive Director | Jay Stephenson | \$40,000     |
| Non-Executive Chairman | Peter McNeil   | \$60,000     |

## 5.3 Interests of Experts and Others

Other than as set out below or elsewhere in the Prospectus or the Notice of Meeting:

- (a) No person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds, or during the last two years before lodgement of this Prospectus with the ASIC, held, an interest in:
  - (i) the formation or promotion of Torque;
  - (ii) property acquired or proposed to be acquired by Torque in connection with its formation or promotion or the Offer; or
  - (iii) the Offer.
- (b) No amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any such person for services rendered in connection with the formation or promotion of Torque or the Offer.
- (c) Steinepreis Paganin has acted as Australian lawyers to the Company in relation to the Offer and is entitled to be paid approximately \$35,000 (exclusive of GST and disbursements) in respect of these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees from the Company for legal services of \$46,189 (exclusive of GST and disbursements) which includes a portion of the \$35,000 in relation to the Offer.

## 5.4 Consents of Experts and Others

- (a) Other than as set out below, each of the parties referred to in this section:

- (i) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by any of those parties;
  - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of the party; and
  - (iii) did not authorise or cause the issue of all or any part of this Prospectus.
- (b) Steinepreis Paganin has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Australian lawyers to the Company in relation to the Offer in the form and context in which it is named and to the incorporation by reference into this Prospectus of the Notice of Meeting in the form and context in which it is incorporated, and to all references to that Notice of Meeting in this Prospectus in the form and context in which they appear.

## **5.5 Competent Person's Statement**

The information that is contained in the Notice of Meeting as it relates to Mineral Resources and Exploration Results is based on information compiled by Robert McNeil, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Robert McNeil is employed by Torque and has sufficient experience which is relevant to the style of mineralisation and type or deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the JORC Code. Robert McNeil consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## **5.6 Privacy**

The Company collects personal information about its Shareholders' holdings of Shares in accordance with the Corporations Act. The Company will share that personal information with its advisers and service providers and with Torque and its advisers and service providers in connection with the Capital Reduction.

Shareholders can contact the Company's share registry if they have any questions about their personal information.

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## **6. AUTHORITY OF DIRECTORS**

### **6.1 Directors' Consent**

Each of the Directors of Frontier Resources Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

**Signed for and on behalf of Frontier Resources Limited**



Sincerely  
P.A. McNeil, M.Sc.  
CHAIRMAN / MANAGING DIRECTOR



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## 7. DEFINITIONS

**\$** means Australian dollars.

**Application Period** means the period commencing at the end of the Exposure Period and ending on the date that the Meeting is held.

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

**ASX** means the ASX Limited (ACN 008 624 691).

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**Capital Reduction** means the equal reduction of capital of the Company proposed to be satisfied by the distribution and transfer to Eligible Shareholders (in proportion to their holdings of Shares) of Torque Shares held by Frontier.

**Capital Reduction Resolution** means Resolution 1 of the Notice of Meeting to be put to Shareholders at the Meeting to approve the Capital Reduction.

**Company** means Frontier Resources Limited (ACN 095 684 389).

**Constitution** means the Company's Constitution as at the date of this Prospectus.

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

**Directors** means the directors of the Company at the date of this Prospectus.

**Eligible Shareholder** means a Shareholder that:

- (a) has bought their Shares on ASX prior to the "ex return of capital" date and held those Shares to that date or later; or
- (b) is otherwise entitled at the Record Date in other limited circumstances pursuant to the ASX Settlement Operating Rules (i.e. the issue of new Shares through the exercise of Options).

**Exposure Period** means the period specified in section 727(3) of the Corporations Act being a minimum period of 7 days after the lodgement of this Prospectus with ASIC during which an application for Torque Shares may not be accepted. ASIC may extend this period to no more than 14 days after the date of lodgement.

**GST** has the meaning given to it in the GST Act.

**GST Act** means *A New Tax System (Goods and Services Tax) Act 1999 (Cth)* and any regulations thereto or such other act or regulations of equivalent effect.

**Meeting** means the meeting convened by the Notice of Meeting.

**Notice of Meeting** means the notice of meeting of the Company for the meeting scheduled for 21 December 2012.

**Offer** means the offer of Torque Shares to Shareholders constituted by the issue of the Notice of Meeting and Explanatory Statement including the Capital Reduction Resolution.

**Option** means an option to acquire a Share.

**Prospectus** means this prospectus and includes the Notice of Meeting unless the context otherwise requires.

**Record Date** means the record date of the Capital Reduction as set out in the timetable at the commencement of the Notice of Meeting.

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

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

**Torque** means Torque Mining Limited (ACN 156 369 336).

**Torque Directors** means the current directors of Torque.

**Torque Shares** means a fully paid ordinary share in the capital of Torque.

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