



# Dispatch of Notice of Meeting and Explanatory Statement

Macmin Silver Ltd (Subject to Deed of Company Arrangement)

ACN 056 776 160

ASX code: MMN (“Macmin” or “the Company”)

1 September 2009

Further to recent announcements, I confirm that at the meeting of creditors of Macmin and its wholly owned subsidiary, Texas Silver Mines Pty Ltd ACN 002 789 380 (Subject to Deed of Company Arrangement), held on 6 August 2009, creditors passed resolutions thereby approving the Recapitalisation Deed with the syndicate of investors including Cygnet Capital Pty Ltd ACN 103 488 606 and Alcyone Mining Limited ACN 135 177 918 (“the Syndicate”) (“the Recapitalisation Deed”).

A Notice of Meeting and Explanatory Statement, detailing the terms of the Recapitalisation Deed and seeking approval for the proposed restructure required to settle the Recapitalisation Deed and enable

Macmin to seek reinstatement of its securities to trading on the ASX, has been dispatched to shareholders today. A copy of the Notice of Meeting and Explanatory Statement is annexed to this announcement.

The meeting of shareholders will be held at **10:00am (WST) on Thursday, 1 October 2009 at the Boardroom, 45 Ventnor Avenue, West Perth, Western Australia.**

As stated in our announcement of 17th August, 2009, the proposed structure and business plan encompassed by the Recapitalisation Deed provides existing shareholders with the potential to benefit significantly from the value enhancement anticipated from its implementation.

*I urge shareholders that have any concerns after reviewing the Notice of Meeting and Explanatory Statement or who require further clarification of the benefits of the Recapitalisation Deed for existing shareholders to contact Mr Ben Green of Pitcher Partners in Perth on (08) 9322 2022.*

**BRYAN HUGHES**  
**DEED ADMINISTRATOR**

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**MACMIN SILVER LIMITED  
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)**

**ACN 056 776 160**

**NOTICE OF GENERAL MEETING**

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**TIME:** 10:00 am (WST)  
**DATE:** 1 October 2009  
**PLACE:** The Boardroom  
45 Ventnor Avenue  
West Perth WA 6005

*This Notice of 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.*

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The General Meeting of the Shareholders of Macmin Silver Limited (Subject to Deed of Company Arrangement) will be held at 10am (WST) on 1 October 2009 at:

The Boardroom  
45 Ventnor Avenue  
West Perth WA 6005

**YOUR VOTE IS IMPORTANT**

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You may vote by attending the meeting in person, by proxy or authorised representative.

**VOTING IN PERSON**

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To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10am (WST).

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- (a) post to c:/ Pitcher Partners, Level 1, 914 Hay Street, Perth WA 6000; or
- (b) facsimile to the Company on facsimile number +61 8 9322 1262,

so that it is received not later than 10am (WST) on 29 September 2009.

Proxy forms received later than this time will be invalid.

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## LETTER TO SHAREHOLDERS

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Dear Shareholder

On 3 November 2008, Bryan Hughes (**Administrator**) was appointed as administrator of Macmin Silver Limited (**Company**) and the Company's subsidiary, Texas Silver Mines Pty Ltd (**Texas**).

The Company's securities were also suspended from trading on the official list of ASX Limited (**ASX**) on 3 November 2008.

The Administrator called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of its securities on ASX. The Administrator has since accepted a proposal by Cygnet Capital Pty Ltd (ACN 103 488 606) and Alcyone Mining Limited (ACN 135 177 918) (**Syndicate**) for the restructuring and recapitalisation of the Company, including upfront and delayed payments to the creditors' trusts of the Company and Texas.

On 6 August 2009, the Company and Texas obtained the approval of their creditors to vary existing Deeds of Company Arrangement (**DOCAs**) so that all claims of creditors against the Company and Texas will be extinguished following a number of cash payments, some upfront and some delayed, the issue of Company Shares, the grant of two royalties, which when combined, equate to a 3% gross revenue royalty on specified silver production, and the transfer of certain assets to the creditors' trusts of the Company and Texas.

The proposal from the Syndicate can be summarised as follows:

- (a) all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company and Texas will be released and compromised by the DOCAs;
- (b) the Company will undertake a consolidation of its issued capital as at the date of this Meeting on a twenty (20) for one (1) basis (**Consolidation**);
- (c) after the Consolidation, the Company will undertake the following capital raisings and issues of securities:
  - (i) an issue of 150,000,000 Shares at an issue price of 0.1 cents each to the Syndicate (or its nominees) to raise \$150,000 or, at the Syndicate's election, to be set off the Syndicates' reasonable costs incurred under the recapitalisation;
  - (ii) an issue of 150,000,000 free Options exercisable at 1 cent each on or before 1 October 2012;
  - (iii) an issue of between 350,000,000 and 400,000,000 Shares at an issue price of not less than 1 cent each to raise between \$3,500,000 and \$4,000,000; and
  - (iv) an issue of 25,000,000 Shares to the Creditors' Trust at a deemed issue price of 1 cent each;
- (d) of the funds referred to above, \$500,000 will be made available to the Creditors Trust of the Company and Texas plus a payment of between \$100,000 (or \$117,500 if completion of the recapitalisation occurs after 19 October 2009) for care and maintenance costs of the Twin Hills mine incurred after 27 July 2009 and prior to completion (**Care and Maintenance Costs**);

- (e) the Company will pay the Creditors' Trust a further \$500,000 upon recommencement of commercial silver production from the Twin Hills mine, provided that within 18 months of completion of the recapitalisation, if the boards of the Company and Texas do not pass resolutions to recommence commercial silver production, the Company will, in lieu of paying \$500,000 as set out above, pay the Creditors' Trust \$150,000 and issue the Creditors' Trust with that number of Shares that, when combined with the 25,000,000 Shares issued on completion, equals 15% of the issued capital of the Company as at the date the Company are reinstated to trading on the ASX;
- (f) at the time the Company pays the amount of \$500,000 or \$150,000 as set out above, the Company must also pay the Creditors' Trust the remaining Care and Maintenance Costs, less the initial payment for Care and Maintenance Costs made at completion, the total amount paid does not exceed \$200,000 (or \$235,000 if completion of the recapitalisation occurs after 19 October 2009);
- (g) the Company will grant a silver royalty to the Creditors' Trust and a separate silver royalty to the major secured creditor, YA Global Investments LP, the latter being secured by a mortgage over the real property underlying the Twin Hills mine;
- (h) the Company and Texas will transfer the Excluded Assets to the Creditors' Trust;
- (i) the Company and Texas will grant YA Global a first right to participate in future debt financing of the Twin Hills mine or debt financing secured against the Company's assets as at the completion date until such time as the Company has paid out the royalty granted to YA Global;
- (j) the current directors of the Company will be removed and replaced by nominees of the Syndicate;
- (k) following completion of all of the matters set out above (other than paragraph (e)), the DOCAs will be terminated and the Company will seek reinstatement of its Shares to trading on ASX; and
- (l) the Recapitalisation is conditional on:
  - (i) the Company Shareholders approving Resolutions 1 to 8;
  - (ii) the Company receiving valid applications under a prospectus together with cleared funds for a minimum of \$3,500,000; and
  - (iii) ASX confirming in writing that it will lift the suspension on trading of the Shares immediately following Completion on terms satisfactory to the Syndicate and the Administrator, acting reasonably, without the need to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The resolutions proposed in the attached Notice will enable the terms of the DOCAs to be completed. If the resolutions are passed and the proposed restructuring and recapitalisation is completed, the Company will seek the reinstatement to trading of its Shares on ASX.

If any of these resolutions are not passed by the Shareholders of the Company, the Company will remain subject to the DOCAs, the trading suspension imposed by the ASX will remain in force and the Administrator will need to consider other alternatives, which is likely to include placing the Company and Texas into liquidation (in which event no return to Shareholders is anticipated).

The Administrator is not responsible for the contents of the Notice or the Explanatory Statement. Each of those documents has been prepared by the Syndicate. Accordingly, the Administrator does not accept any responsibility for the accuracy of any information included, or any failure to include any information in, such documents.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Bryan Hughes', with a long horizontal flourish extending to the right.

**Bryan Hughes**  
**Deed Administrator**

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## NOTICE OF GENERAL MEETING

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Notice is given that a General Meeting of Shareholders of Macmin Silver Limited (Subject to Deed of Company Arrangement) will be held at The Boardroom, 45 Ventnor Avenue, West Perth, Western Australia at 10am (WST) on 1 October 2009.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

Pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at the close of business on 29 September 2009.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

It is a requirement of the business of the Meeting that each of the Resolutions set out below are passed, otherwise none of the Resolutions will have any effect.

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## AGENDA

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### SPECIAL BUSINESS

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered as special business.

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#### 1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

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

*“That, subject to the passing of Resolutions 2 to 6 (inclusive), for the purpose of Section 254H of the Corporations Act, Article 9.1(a) of the Constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that:*

- (a) every 20 Shares be consolidated into 1 Share; and*
- (b) every 20 Options be consolidated into 1 Option with the exercise price amended in inverse proportion to that ratio,*

*and where this consolidation results in a fraction of a Share or Option being held by a Shareholder or Option holder (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share or Option, with the consolidation taking effect on the date the resolution is passed and otherwise as described in the Explanatory Statement.”*

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#### 2. RESOLUTION 2 – ISSUE OF SHARES AND PROMOTER OPTIONS – MR ANDREW KING

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

*“That, subject to the passing of Resolutions 1 and 3 to 8 (inclusive), for the purposes of Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue on a post-consolidation basis) up to:*

- (a) 35,000,000 Shares at an issue price of 0.1 cent each; and
- (b) 35,000,000 Promoter Options;

to Mr Andrew King (or his nominee/s) on the terms and conditions set out in the Explanatory Statement."

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Andrew King (or his nominee) or 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.

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### 3. RESOLUTION 3 – ISSUE OF SHARES AND PROMOTER OPTIONS – RICHARD HARRIS

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

*"That, subject to the passing of Resolutions 1, 2 and 4 to 8 (inclusive), for the purposes of Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue (on a post-consolidation basis) up to:*

- (a) 35,000,000 Shares at an issue price of 0.1 cent each; and
- (b) 35,000,000 Promoter Options;

*to Mr Richard Harris (or his nominee/s) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Richard Harris (or his nominee) or 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.

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### 4. RESOLUTION 4 – ISSUE OF SHARES – CHARLES MORGAN

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

*"That, subject to the passing of Resolutions 1 to 3 (inclusive) and 4 to 8 (inclusive), for the purposes of Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue (on a post-consolidation basis) up to 3,000,000 Shares at an issue price of 1 cent each to Mr Charles Morgan (or his nominee/s) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Charles Morgan (or his nominee) or 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.

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**5. RESOLUTION 5 – ISSUE OF SHARES AND PROMOTER OPTIONS**

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

*“That, subject to the passing of Resolutions 1 to 4 (inclusive) and 6 to 8 (inclusive), for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to (on a post-consolidation basis):*

- (a) 150,000,000 Shares at an issue price of not less than 0.1 cent each to the Syndicate or their nominees to raise \$150,000 or, at the Syndicate's election, to be set off the Syndicates' reasonable costs incurred under the recapitalisation;*
- (b) 150,000,000 Promoter Options to the Syndicate or their nominees;*
- (c) up to 400,000,000 Shares at an issue price of not less than 1 cent each to raise \$4,000,000 (**Capital Raising**); and*
- (d) 25,000,000 Shares at a deemed issue price of 1 cent each to the Creditors' Trust,*

*on the terms and conditions set out in the Explanatory Statement.”*

**Short Explanation:** To the extent that the Directors take up Shares and Promoter Options (as contemplated by Resolutions 2 to 5), the number of Shares and Promoter Options issued in accordance with Resolution 5 will be reduced.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6 – RE-ELECTION OF DIRECTOR – ANDREW KING**

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

*“That, subject to the passing of Resolutions 1 to 5 (inclusive), 7 and 8, in accordance with the Company's Constitution and for all other purposes, Mr Andrew King, a Director who was appointed on 21 August 2009, retires, and being eligible, is re-elected as a Director.”*

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**7. RESOLUTION 7 – RE-ELECTION OF DIRECTOR – RICHARD HARRIS**

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

*“That, subject to the passing of Resolutions 1 to 6 (inclusive) and 8, in accordance with the Company's Constitution and for all other purposes, Mr Richard Harris, a Director who was appointed on 21 August 2009, retires, and being eligible, is re-elected as a Director.”*

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**8. RESOLUTION 8 – RE-ELECTION OF DIRECTOR – CHARLES MORGAN**

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

*"That, subject to the passing of Resolutions 1 to 7 (inclusive), in accordance with the Company's Constitution and for all other purposes, Mr Charles Morgan, a Director who was appointed on 21 August 2009, retires, and being eligible, is re-elected as a Director."*

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**9. RESOLUTION 9 – CHANGE OF NAME**

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

*"That, in accordance with section 157(1) of the Corporations Act and for all other purposes, the Company change its name to "Alcyone Resources Limited"."*

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**10. RESOLUTION 10 – ADOPTION OF NEW CONSTITUTION**

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

*"That, in accordance with section 136(2) of the Corporations Act and for all other purposes, the Company adopts a new Constitution in the form tabled at the Meeting."*

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**DATED: 21 AUGUST 2009**

**BY ORDER OF THE ADMINISTRATOR**



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**Mr Bryan Hughes  
Deed Administrator**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the shareholders of Macmin Silver Limited (subject to Deed of Company Arrangement) (**Macmin** or **Company**) in connection with a General Meeting of the Company, by the Syndicate referred to in Section 1.2 below.

The Administrator does not accept any responsibility for the contents of this statement, including the accuracy of any information included in the statement or failure to include any information in the statement.

In considering the resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that separate reports have been made by the Administrator to creditors of the Company in accordance with the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations taken by the Administrator, the reasons for the failure of the Company and the Administrator's recommendations for the future of the Company.

If Resolutions 1 to 8 are passed and the proposed re-structuring set out in the recapitalisation proposal is completed, the Company will be in a position to seek the reinstatement of its Shares to official quotation on ASX. This reinstatement is, of course, subject to the discretion of ASX, however the Company has received confirmation from ASX that it will allow reinstatement of the Shares to official quotation.

If Shareholders reject the proposed restructuring the future of the Company is uncertain. A possibility is that the Company may be placed into liquidation. In this circumstance, it is likely that there would be no return to Shareholders.

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### 1. OVERVIEW

#### 1.1 Background

A general background and history in respect of the appointment of the Administrator is set out in the letter to Shareholders at the beginning of this Notice.

#### 1.2 Overview of Administration process

On 3 November 2008, Mr Bryan Hughes was appointed as administrator of Macmin pursuant to Section 436C of the Corporations Act (**Administrator**). On this date, the Company's securities were suspended from trading on the official list of ASX.

The Administrator subsequently called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of its securities on ASX.

The Administrators have accepted a proposal by the Syndicate for the restructuring and recapitalisation of the Company, including a number of cash payments, some upfront and some delayed, the issue of Company Shares and the grant of a royalty to the creditors' trusts of the Company and Texas.

On 6 August 2009, creditors of both the Company and Texas accepted varied deeds of company arrangement (**DOCAs**) allowing the Company to be reconstructed under the proposal put forward by the Syndicate via a creditors trust (for each of the Company and Texas) which is a mechanism used to accelerate a company's exit from external administration.

### **1.3 Proposed Business Plan**

It is intended that upon relisting the Company on the ASX, work will begin on the establishment of the design and cost parameters to enable a decision to be made on the recommencement of commercially viable silver production for the Texas Silver Mine. In addition, it is proposed that the New Directors and Management team will re-establish the Administration and Corporate office and functions to a level commensurate with the size of the organisation.

To assist with the delivery of the design and cost parameters, a detailed metallurgical test work programme will be commenced on the Texas Silver ore body. This test work will begin with Column Leach Tests undertaken at an independent laboratory. On the basis of success with these tests, a Pilot Plant Scale test programme may be undertaken at the mine site. The results of this test work could be used to assist with the definition of the final processing parameters and the commencement of the detailed plant design work.

The laboratory work will take approximately three months to complete. However, it is anticipated that as preliminary results become available a decision to commence the Pilot scale work could be made earlier enabling some work to run in parallel. It is anticipated that the Pilot Plant trials could take 3 to 4 months to deliver finite results with the detailed design work and the preparation of capital and operating costs to be undertaken post that point.

While the metallurgical test work is being progressed, the Company intends to engage an independent mining consultant to re-optimize the mine design. This work will then be used as the basis for the preparation and calling of Tenders for the Mine Operation.

Once all the various design, operating and capital cost parameters have been determined, work will commence on the preparation of an economic model to assess the potential viability of the recommencement of commercial silver production. The model will also consider the various alternatives that are available to potentially fund the construction and development phases. It is envisaged that the Company will seek external advice in this area to assist in deriving the best economic solution

Once completed it is intended that the study will be reviewed by the Board and a decision taken as to the viability of recommencing commercial silver production.

In addition to the above, during the first 6 months, a review of the various tenement holdings will be undertaken. This will be used to assess their prospectivity and formulate a strategy for longer term exploration and development opportunities to sustain ongoing production.

The Company will also consider any other near production opportunities that could offer synergistic growth opportunities. These opportunities will be in the resources sector and may or may not involve silver, gold or other precious metals. The New Directors will also potentially consider investment opportunities in bulk commodities (such as coal and iron ore) together with base metals.

### **1.4 Purpose of Capital Raisings**

The purpose of the capital raisings is to:

- (a) make a payment to the Creditors' Trust;

- (b) provide funds for strategic review of existing business, testwork, design and feasibility studies;
- (c) provide funds for the ongoing cost of site care and maintenance, lease payments and both tenement and exploration costs
- (d) provide funds for the review and acquisition of alternative/new projects; and
- (e) meet the administration costs of the Company and the expenses of the recapitalisation and reinstatement to trading on ASX.

### **Use of Funds – Expenditure Budget**

An estimated budget is set out below.

<b>Total funds raised</b>	<b>\$3,500,000<sup>1</sup></b>	<b>\$4,000,000<sup>1</sup></b>
Payment to Creditors' Trusts	\$617,500 <sup>2</sup>	\$617,500 <sup>2</sup>
Cost of recapitalisation process	\$369,500	\$410,000
Review of existing business, testwork, design & feasibility studies	\$650,000	\$650,000
Site care & maintenance, lease & exploration costs	\$500,000	\$892,500
Corporate & administration costs	\$530,000	\$530,000
General working capital	\$833,000	\$900,000
<b>Total funds utilised</b>	<b>\$3,500,000</b>	<b>\$4,000,000</b>

Notes:

1. Assumes that the 150,000,000 Shares issued to the Syndicate and Directors at an issue price of 0.1 cent each are set off the Syndicates' and Directors' reasonable costs incurred under the recapitalisation and so no funds are raised.
2. Payment to the creditors' trusts comprise a payment of \$500,000 plus a payment on account of care and maintenance costs of up to \$117,500 (including GST).

The above table is a statement of current intentions as at the date of this Notice. Future events may alter the manner in which funds are applied.

### **Pro-forma Capital Structure**

	<b>Shares</b>	<b>Options</b>
<i>Currently on issue</i>	511,098,640	33,544,003
Post Consolidation	25,554,932	1,677,200
Issued pursuant to Resolutions 2 to 5	575,000,000 <sup>1</sup>	150,000,000
<b>Total</b>	<b>600,554,932</b>	<b>151,667,200</b>

Notes:

1. Comprising up to 400,000,000 Shares issued under the Capital Raising at an issue price of 1 cent each, 150,000,000 Shares with an issue price of 0.1 cent each issued to the Syndicate or its nominees and 25,000,000 Shares issued to the Creditors' Trust.

## 1.5 Summary of the terms of the Recapitalisation Proposal and Deed of Company Arrangement

Set out below is a detailed summary of the recapitalisation proposal under the Recapitalisation Deed.

### **Terms of the Recapitalisation Proposal**

- (a) The Recapitalisation is conditional on:
  - (i) The Company Shareholders approving Resolutions 1 to 8;
  - (ii) The Company receiving valid applications under a prospectus together with cleared funds for a minimum of \$3,500,000; and
  - (iii) ASX confirming in writing that it will lift the suspension on trading of the Shares immediately following Completion on terms satisfactory to the Syndicate and the Administrator, acting reasonably, without the need to re-comply with Chapters 1 and 2 of the ASX Listing Rules.
- (b) All liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company and its Subsidiaries (including Texas) will be released and compromised by the DOCAs;
- (c) The Company will undertake a consolidation of its issued capital as at the date of this Meeting on a twenty (20) for one (1) basis (**Consolidation**).
- (d) After the Consolidation, the Company will undertake the following capital raisings and issues of securities:
  - (i) an issue of 150,000,000 Shares at an issue price of 0.1 cents each to the Syndicate (or its nominees) to raise \$150,000 or, at the Syndicate's election, to be set off the Syndicates' reasonable costs incurred under the recapitalisation;
  - (ii) an issue of 150,000,000 free Options exercisable at 1 cent each on or before 30 September 2012;
  - (iii) an issue of between 350,000,000 and 400,000,000 Shares at an issue price of not less than 1 cent each to raise between \$3,500,000 and \$4,000,000; and
  - (iv) an issue of 25,000,000 Shares to the Creditors' Trust at a deemed issue price of 1 cent each.
- (e) Of the funds referred to above, \$500,000 will be made available to the Creditors Trust of the Company and Texas plus a payment of between \$100,000 (or \$117,500 if completion of the recapitalisation occurs after 19 October 2009) for care and maintenance costs of the Twin Hills mine prior incurred prior to completion (**Care and Maintenance Costs**).

- (f) The Company will pay the Creditors' Trust a further \$500,000 upon recommencement of commercial silver production from the Twin Hills mine, provided that if the boards of the Company and Texas do not pass resolutions to recommence commercial silver production within 18 months of completion of the recapitalisation, the Company will, in lieu of paying \$500,000 as set out above, pay the Creditors' Trust \$150,000 and issue the Creditors' Trust with that number of Shares that, when combined with the 25,000,000 Shares issued on completion, equals 15% of the issued capital of the Company as at the date the Company are reinstated to trading on the ASX.
- (g) At the time the Company pays the amount of \$500,000 or \$150,000 as set out above, the Company must also pay the Creditors' Trust the remaining Care and Maintenance Costs, pro initial payment for Care and Maintenance Costs made at completion, the total amount paid does not exceed \$200,000 (or \$235,000 if completion of the recapitalisation occurs after 19 October 2009).
- (h) The Company will grant a silver royalty to the Creditors' Trust and a separate silver royalty to the major secured creditor, YA Global Investments LP, the latter being secured by a mortgage over the real property underlying the Twin Hills mine.
- (i) The Company and Texas will transfer the Excluded Assets to the Creditors' Trust.
- (j) The Company and Texas will grant YA Global a first right to participate in future debt financing of the Twin Hills mine or debt financing secured against the Company's assets as at the completion date until such time as the Company has paid out the royalty granted to YA Global.
- (k) The current directors of the Company will be removed and replaced by nominees of the Syndicate.
- (l) Following completion of all of the matters set out above, the DOCAs will be terminated and the Company will seek reinstatement of its Shares to trading on ASX.

### **Proposed Directors**

By way of background, detailed information in respect of the proposed directors is outlined below.

#### **Mr Charles Morgan Non Executive Chairman**

Charles has extensive experience in equity capital markets and has been involved with numerous projects over a 25 year period. The bulk of these were in the resources/oil & gas industries and in the technology sector.

Charles has successfully identified emerging international opportunities and acquired large, early stage and strategic positions in a wide range of ventures around the globe. In addition to identifying and acquiring interest in early stage ventures, his particular strengths include partnering with regional experts, securing teams of appropriate executives, procuring development capital and adding value for the benefit of shareholders.

He is, or previously held the position of, Founder, Chairman, Director or major Shareholder in the following companies- Alto Energy Ltd, Nido Petroleum NL,

West Oil NL, Fusion Oil & Gas NL, Valdera Ltd, Nautronix Ltd, WildHorse Ltd, Matra plc, Grand Gulf Energy Limited, Latent Petroleum Pty Ltd and VectoGen Ltd.

**Mr Andrew King**  
**Managing Director**

A mining engineer with over 34 years experience in the mineral resources industry, including a considerable depth of knowledge and expertise in technical disciplines as well as in the successful establishment of new companies having founded and developed Goldstar Resources NL.

In addition to experience covering corporate, strategic and operational roles in gold, iron ore, coal and base metals, Andrew also holds qualifications in accounting and financial management. He is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

Andrew is currently Chairman of Base Iron Ltd and provides corporate and operating consulting services to the mining and financial industries. Previously, he held senior positions with Tectonic Resources NL, Mt Edon Gold Mines (Aust) Pty Ltd and Griffin Coal Mining Company.

**Mr Richard Harris**  
**Executive Director**

A mining engineer and international mining analyst with over 25 years experience in the mining and finance industries. He has considerable experience evaluating mining companies and projects, advising and raising capital for resource companies. Richard has been involved in a wide range of commodities and has specialized in mid to small capitalization gold mining companies.

In 2006 as Managing Director he founded and listed Eleckra Mines Limited, a gold and uranium exploration company. Subsequently taking the position of Executive Chairman, he raised over \$8.5m in capital for Eleckra and oversaw the increase in the market capitalization of the Company from A\$12m at listing to a high of \$A41m.

Prior positions include senior mining analyst at Hartleys Ltd, senior business analyst – acquisitions at WMC Ltd and international mining analyst & Associate Director at Shearson Lehman Hutton Ltd, London.

## **1.6 Deeds of Company Arrangement**

The Company and Texas sought creditor approval to accept the recapitalisation proposal put forward by the Syndicate and to enter into the relevant DOCAs. Approval was obtained on 6 August 2009.

Settlement and effectuation of the DOCAs will not occur unless Shareholders approve all of the Resolutions set out in the Notice. If Shareholders do not do so, the Company may be wound up.

## **1.7 ASX Listing**

ASX has advised the Company that upon completion of the capital raising contemplated by Resolutions 2 to 5 (inclusive) and the satisfaction of various other conditions, the suspension of trading on the Company's shares will be lifted.

Other than completion of the capital raising, the main outstanding condition is completing all outstanding financial reports.

### **1.8 Balance Sheet**

Set out in Schedule 3 is an historical balance sheet for the Company together with a pro-forma showing the effects of the transactions contemplated by this Notice of Meeting.

### **1.9 Conclusion**

The resolutions set out in the Notice are important and affect the future of the Company. Shareholders are therefore urged to give careful consideration to the Notice and the contents of this Explanatory Statement.

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## **2. RESOLUTION 1 – CONSOLIDATION OF CAPITAL**

Shareholder approval is sought to consolidate the number of Shares on issue on a twenty (20) for one (1) basis.

Shareholder approval is required pursuant to Section 254H of the Corporations Act.

### **2.1 Corporations Act**

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting of shareholders, convert all or any of its shares into a larger or smaller number of shares.

In the event that Resolution 1 is approved, the number of Shares on issue will be reduced from 511,098,640 to approximately 25,554,932 and the number of Options on issue will be reduced from 33,544,003 to approximately 1,677,200. The exercise price of the Options will also increase by a multiple of 20.

As from the effective date of the Resolution (being the date of the General Meeting), all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Shares. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders.

The effect of the Consolidation and the Resolutions contained within the Notice is set out in section 1.3 of this Explanatory Statement.

### **2.2 Fractional Entitlements and Taxation**

Not all Shareholders will hold that number of Shares which can be evenly divided by 20. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option.

It is not considered that any taxation consequences will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, the Administrators nor the Company's advisers accept any responsibility for the individual taxation consequences arising from the Consolidation.

### **2.3 Timetable**

The indicative timetable for the Consolidation is as follows:

<u>Event</u>	<u>Date</u>
General Meeting to approve transaction	1 October 2009
Notification to ASX of results of General Meeting	1 October 2009
Trading on a deferred settlement basis*	2 October 2009
Last day to register transfers on a pre-reorganisation basis	12 October 2009
First day for Company to send notice to Shareholders of change of holdings as a result of reorganisation	15 October 2009
First day for Company to register securities on a post-reorganisation basis and for issue of holding statements	
Despatch date	19 October 2009
Deferred settlement market ends	
Last day for securities to be entered into the holders' security holdings and for Company to send notice to each security holder	

\* The Company's securities are currently suspended from trading. As such, deferred settlement trading will not occur.

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### **3. RESOLUTIONS 2, 3 AND 4 – ISSUE OF SHARES AND OPTIONS TO RELATED PARTIES**

#### **3.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 73,000,000 Shares and 70,000,000 Promoter Options to Messrs King, Harris and Morgan (**Related Parties**) on the terms and conditions set out below.

Resolutions 2 to 4 allow the Related Parties to participate in the issues of securities contemplated by Resolution 5.

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.

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.

Messrs King, Harris and Morgan are "related parties" under the Listing Rules and the Corporations Act because they are directors of the Company.

### 3.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares and Options under Resolutions 2, 3 and 4:

- (a) the related parties are Messrs King, Harris and Morgan and they are related parties by virtue of being directors of the Company;
- (b) the maximum number of Shares and Promoter Options (being the nature of the financial benefit being provided) to be issued to the Related Parties is:

<b>Allottee</b>	<b>\$0.001 Shares</b>	<b>Options</b>	<b>\$0.01 Shares</b>
Richard Harris	35,000,000	35,000,000	Nil
Andrew King	35,000,000	35,000,000	Nil
Charles Morgan	Nil	Nil	3,000,000

- (c) at the election of the Related Parties, the issue price for the Promoter Shares and Options may be set off against the Syndicates' reasonable costs incurred under the recapitalisation proposal;
- (d) the Shares and Promoter Options will be issued on or about settlement under the DOCAs. However, it is anticipated that all of the Shares and Promoter Options will be issued to the Related Parties within one month after the date of the Meeting;
- (e) the Shares issued will rank equally with the existing Shares on issue;
- (f) the Promoter Options will be issued on the terms and conditions set out in Schedule 1 to this Explanatory Statement;
- (g) the value of the Promoter Options and the pricing methodology is set out in Schedule 2;
- (h) none of the Related Parties have any interest in securities of the Company as at the date of this Notice;
- (i) no remuneration or other emoluments have been paid to any of the Related Parties over the past 12 months. It is proposed that the new Executive Directors, Messrs King and Harris, will be paid fees of \$15,000 each per month after settlement of the recapitalisation proposal. It is proposed that the one Non-Executive Director, Mr Charles Morgan, will be paid fees of \$5,000 per month after settlement of the recapitalisation proposal;
- (j) if Shareholders approve the issue of Shares and Promoter Options to the Related Parties as contemplated by Resolutions 2, 3 and 4 and:

- (i) all of the Shares are issued; and
- (ii) all of the Promoter Options are subsequently converted into Shares,

the effect will be to dilute the shareholding of Shareholders by up to approximately 27.1% (post Consolidation of the number of Shares currently on issue pursuant to Resolution 1, assuming all of the Shares and Options to be issued pursuant to this Notice are issued (other than the Shares and Promoter Options to the Related Parties) and no other Options are converted);

- (k) the Company's Shares have not traded on ASX since 3 November 2008. The last available trading price was 4.4 cents. Over the preceding 12 month period has ranged from a high of 9.6 cents on 15 August 2008 to a low of 2.7 cents on 28 October 2008;
- (l) the funds raised from the Shares will be used for the purposes set out in section 1.3 of this Explanatory Statement; and
- (m) as the Company has been placed into administration, the existing Directors do not have authority to make a recommendation to Shareholders in relation to these Resolutions. In any event, given they have an interest in the outcome of the Resolutions they are conflicted from making a recommendation.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares and Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares and 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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## **4. RESOLUTION 5 – ISSUE OF SHARES AND OPTIONS**

### **4.1 General**

Resolution 5 seeks Shareholder approval for the allotment and issue of up to:

- (a) 150,000,000 Shares at an issue price of not less than 0.1 cent each to the Syndicate (or its nominees) to raise \$150,000 or, at the Syndicate's election, to be set off the Syndicates' reasonable costs incurred under the recapitalisation;
- (b) 150,000,000 free Promoter Options exercisable at 1 cent each on or before 30 September 2012;
- (c) up to 400,000,000 Shares at an issue price of not less than 1 cent each to raise up to \$4,000,000; and
- (d) 25,000,000 Shares to the Creditors' Trust at a deemed issue price of 1 cent each.

The number of securities issued in accordance with Resolution 5 will be reduced to the extent that the Related Parties participate in the issues referred to above (as contemplated by Resolutions 2, 3 and 4).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity

securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

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

#### **4.2 Shareholder Approval**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of Shares and Promoter Options under Resolution 5:

- (a) the maximum number of Shares and Options to be issued is:
  - (i) 150,000,000 Shares at an issue price of not less than 0.1 cent each to raise \$150,000 or, at the Syndicate's election, to be set off the Syndicates' reasonable costs incurred under the recapitalisation;
  - (ii) 150,000,000 free Promoter Options exercisable at 1 cent each on or before 30 September 2012;
  - (iii) 400,000,000 Shares at an issue price of not less than 1 cent each to raise up to \$4,000,000; and
  - (iv) 25,000,000 Shares to the Creditors' Trust at a deemed issue price of 1 cent each;
- (b) the Shares and Promoter Options will be issued on or about settlement under the DOCAs. However, it is anticipated that all of the Shares and Promoter Options will be issued within three months after the date of the Meeting (other than the Shares and Promoter Options to be issued to the Related Parties under Resolutions 2, 3 and 4 which shall be issued within one month of the date of the Meeting);
- (c) other than the 25,000,000 Shares that will be issued to the Creditors' Trust and the Shares and Promoter Options to be issued to the Related Parties under Resolutions 2, 3 and 4, the Shares and Promoter Options will be issued to parties nominated by the Syndicate, the details of which are not known as at the date of this Notice. Any third party that will be issued Shares or Promoter Options will not be a related party of the Company, must be approved by the Syndicate and, following the issue of Shares to the third party, their voting power in the Company must not exceed 20%;
- (d) the Shares issued will rank equally with the existing Shares on issue;
- (e) the Promoter Options will be issued on the terms and conditions set out in Schedule 1 to this Explanatory Statement; and
- (f) the funds raised from the issue of Shares will be used for the purposes set out in section 1.3 of this Explanatory Statement.

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**5. RESOLUTION 9 – CHANGE OF NAME**

Resolution 9 seeks shareholder approval to change the name of the Company to "Alcyone Resources Limited". The New Board considers that a name change is appropriate to reflect the fact that the Company has been recapitalised and has undergone a change of directors and management.

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**6. RESOLUTION 10 – ADOPTION OF NEW CONSTITUTION**

Resolution 10 seeks shareholder approval to adopt a new Constitution.

The new Board is seeking to adopt a new Constitution to ensure that the latest amendments to the Corporations Act are appropriately incorporated.

A copy of the new Constitution is available on request.

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## GLOSSARY

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

**ASX** means ASX Limited, or the Australian Securities Exchange (as the context requires).

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

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

**Capital Raising** means the Company's offer of Shares with an issue price of \$0.01 each, under a prospectus to raise between \$3,500,000 and \$4,000,000 with the allotment and issue of the Shares to take place at Completion

**Company** and **Macmin** means Macmin Silver Limited (subject to Deed of Company Arrangement) (ACN 056 776 160).

**Completion** means the completion of the transactions set out in the Recapitalisation Deed, summarised in section 1.5 of this Notice of Meeting.

**Administrator** means Bryan Hughes of Pitcher Partners, Perth, Western Australia.

**Constitution** means the Company's constitution.

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

**Creditors' Trust** means the creditors' trust for the Company and Texas.

**Creditors' Trustee** means Macmin Corporation Pty Ltd

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

**DOCA** means the deed of company arrangement entered into by the Company, the Administrator and the Creditors' Trustee in relation to the Company, and between Texas, the Administrator and the Creditors' Trustee (as the context requires) under which the proposal put forward by the Syndicate (as outlined in the Explanatory Statement) will be implemented.

**Excluded Assets** means the following assets owned by Texas or the Company:

- (a) the shares held by the Company in New Guinea Gold Corporation Limited, Frontier Resources Limited ACN 095 684 389 and Malachite Resources Limited ACN 075 613 268;
- (b) the royalty owed under an agreement between the Company, New Guinea Gold Corporation Limited and Macmin (PNG) Limited ABN 16 075 784 280 dated 12 June 2002;
- (c) the allowable research and development tax offset refunds for 2006, 2007 and 2008 income tax years to the extent assignable;
- (d) with respect to Texas and the Company, all cash held prior to or at Completion (excluding any cash held as backing for environmental bonds in relation to the tenements) but, in the case of the Company, excluding cash raised under the Capital Raising or through the issue of the Promoter Shares;
- (e) all outstanding accounts receivable of the Company and Texas at Completion;
- (f) all choses in action of the Company and Texas at Completion; and

- (g) any silver powder held on the Twin Hills Mine site as well as any silver powder or silver bullion held with Siltech Pty Ltd ACN 091 337 521 or CMA Recycling Pty Ltd ACN 107 209 503 or in transit at the time of Completion.

**Explanatory Statement** means the Explanatory Statement accompanying the Notice of Meeting.

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

**New Director** means a director appointed to the Company post Recapitalisation.

**Notice** means the Notice of Meeting.

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

**Optionholder** means the holder of an Option.

**Promoter Options** means Options on the terms set out in Schedule 1.

**Promoter Shares** means the shares issued in Resolutions 2 to 5.

**Recapitalisation** means the recapitalisation proposed by the Recapitalisation Deed.

**Recapitalisation Deed** means the recapitalisation deed between the Company, Texas, the Administrator, the Syndicate, Macmin Corporation Pty Ltd and YA Global Investments LP dated 27 July 2009.

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

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

**Subsidiary** has the meaning given to that term by Section 46 of the Corporations Act.

**Syndicate** means Cygnet Capital Pty Ltd (ACN 103 488 606) and Alcyone Mining Limited (ACN 135 177 918).

**Texas** means Texas Pty Ltd (subject to Deed of Company Arrangement) (ACN 000 035 067), of which the Company is the ultimate holding company.

**WST** means Western Standard Time.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF PROMOTER OPTIONS

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### Terms and conditions of Options

The terms and conditions attaching to the Promoter Options are set out below:

1. Each option ("**Promoter Option**") entitles the holder to subscribe for one fully paid ordinary share in the capital of Macmin ("**Share**") at an exercise price of 1 cent (the "**Exercise Price**").
2. The Promoter Options are exercisable at any time on or before 5.00pm Western Standard Time 30 September 2012 ("**Expiry Date**"). Options may only be exercised in multiples of 1,000. Any Promoter Options not exercised by the Expiry Date shall lapse.
3. Promoter Options may not be exercised if the effect of such exercise and subsequent allotment of the Shares would be to create a holding of less than a marketable parcel of Shares unless the allottee is already a shareholder of Macmin at the time of exercise.
4. Exercise of the Promoter Option is effected by completing a notice of exercise of option and delivering it to the registered office of Macmin together with payment of 1 cent per Promoter Option exercised.
5. The Promoter Options are freely transferable.
6. All Shares issued upon exercise of the Promoter Options and payment of the Exercise Price will rank equally in all respects with Macmin's then existing Shares. Macmin will apply for Official Quotation by ASX of all Shares issued upon exercise of the Promoter Options within three days of the issue of the Shares.
7. A certificate will not be issued for the Promoter Options and an uncertificated holding statement will be provided.
8. There are no participating rights or entitlements inherent in the Promoter Options and holders will not be entitled to participate in new entitlement issues of capital offered to shareholders during the currency of the Promoter Options. However, Macmin will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the Issue is announced. This will give the holders of Promoter Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
9. In the event of any reconstruction, including a consolidation, subdivision, reduction or return of the issued capital of Macmin prior to the Expiry Date, the number of Promoter Options which each holder is entitled or the Exercise Price of the Promoter Options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules and will not result in any benefits being conferred on Optionholders which are not conferred on shareholders, subject to such provision with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the Promoter Options will remain unchanged. The rights of an Optionholder may be changed to comply with the Listing rules applying to a reorganisation of capital at the time of the reconstruction.
10. Shares allotted and issued pursuant to the exercise of a Promoter Option will be allotted and issued not more than 14 days after the receipt of a proper notice and payment of the exercise price in respect of the Promoter Options exercised.

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**SCHEDULE 2 – VALUATION OF OPTIONS**

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The Promoter Options to be issued to the Related Parties pursuant to Resolutions 2 and 3 have been valued by internal management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Promoter Options were ascribed a value range, as follows:

<b>Assumptions:</b>			
Valuation date	3 August 2009		
Market price of Shares	0.1 cents (being the price at which Shares will be issued to various parties at the same time as the issue of the Promoter Options)		
Exercise price	1 cent		
Expiry date	30 September 2012		
Risk free interest rate	3.5%		
Volatility	25%	50%	75%
<b>Indicative value per Option</b>	0.001 cents	0.001 cents	0.007 cents

Note: The valuation ranges noted above are not necessarily the market prices that the Promoter Options could be traded at and they are not automatically the market prices for taxation purposes.

### SCHEDULE 3 – BALANCE SHEETS

		Consolidated	Consolidated
			Pro-Forma
	Notes	30 June 2009	30 June 2009
		(Unaudited)	(Unaudited)
		\$000	\$000
<b>Current Assets</b>			
Cash at bank	1	1,124	2,973
Receivables		54	-
		1,178	2,973
<b>Non Current Assets</b>			
Tenement bonds	2	1,649	1,649
Property	3,4	470	470
Plant and equipment	5	2,068	2,068
Mineral development, exploration and evaluation expenditure	6	1,800	1,800
Investments		1,624	-
		7,611	5,987
Total Assets		8,789	8,960
<b>Current Liabilities</b>			
Trade and other payables		5,680	-
Future obligations to the Creditors' Trust	7	-	118
Borrowings	8	300	300
		5,980	418
<b>Non Current Liabilities</b>			
Borrowings		5,480	-
Future obligations to the Creditors' Trust	7	-	500
Provisions	9	4,029	4,029
		9,509	4,529
Total Liabilities		15,489	4,947
<b>Net Assets/(Deficiency)</b>		<b>(6,700)</b>	<b>4,013</b>
<b>Equity</b>			
Contributed equity	10	71,552	75,542
Accumulated losses		(80,523)	(73,802)
Share-based payments reserve	11	2,271	2,273
<b>Net Equity/(Deficiency)</b>		<b>(6,700)</b>	<b>4,013</b>

## Explanation of the Balance Sheet Movements

The movement from the Consolidated 30 June 2009 Balance Sheet to the Consolidated Pro-Forma 30 June 2009 Balance Sheet comprises the effects of the Syndicate's proposed recapitalisation of the Company and Texas.

The Syndicate's proposed recapitalisation of the Company and Texas can be summarised as follows:

- (a) the Company will undertake a consolidation of its issued capital as at the date of this Meeting on a twenty (20) for one (1) basis (**Consolidation**);
- (b) after the Consolidation, the Company will undertake the following capital raisings and issues of securities:
  - (i) an issue of 150,000,000 Shares at an issue price of 0.1 cents each to the Syndicate (or its nominees) to raise \$150,000 or, at the Syndicate's election, to be set off the Syndicates' reasonable costs incurred under the recapitalisation;
  - (ii) an issue of 150,000,000 free Options exercisable at 1 cent each on or before 30 September 2012;
  - (iii) an issue of between 350,000,000 and 400,000,000 Shares at an issue price of not less than 1 cent each to raise between \$3,500,000 and \$4,000,000; and
  - (iv) an issue of 25,000,000 Shares to the Creditors' Trust at a deemed issue price of 1 cent each;
- (c) of the funds referred to above, \$500,000 will be made available to the Creditors Trust of the Company and Texas plus a payment of between \$100,000 (or \$117,500 if completion of the recapitalisation occurs after 19 October 2009) for care and maintenance costs of the Twin Hills mine incurred after 27 July 2009 and prior to completion (**Care and Maintenance Costs**);
- (d) the Company will pay the Creditors' Trust a further \$500,000 upon recommencement of commercial silver production from the Twin Hills mine, provided that within 18 months of completion of the recapitalisation, if the boards of the Company and Texas do not pass resolutions to recommence commercial silver production, the Company will, in lieu of paying \$500,000 as set out above, pay the Creditors' Trust \$150,000 and issue the Creditors' Trust with that number of Shares that, when combined with the 25,000,000 Shares issued on completion, equals 15% of the issued capital of the Company as at the date the Company are reinstated to trading on the ASX;
- (e) at the time the Company pays the amount of \$500,000 or \$150,000 as set out above, the Company must also pay the Creditors' Trust the remaining Care and Maintenance Costs, less the initial payment for Care and Maintenance Costs made at completion, the total amount paid does not exceed \$200,000 (or \$235,000 if completion of the recapitalisation occurs after 19 October 2009); and
- (f) the Company and Texas will transfer the Excluded Assets to the Creditors' Trust;
- (g) trade and other payables of the Company and Texas will be assumed by the Creditors' Trust.

## Notes to the Balance Sheets

1. The value comprises the following transactions, referenced in the explanation of the balance sheet movements, above:
  - \$4,000,000 raised from the share issue (assuming 400,000,000 shares issued at 1 cent);
  - less \$410,000 relating to capital raising costs (refer section 1.4); and
  - \$500,000 will be made available to the Creditors Trust of the Company and Texas plus a payment of \$100,000 (or \$117,500 if completion of the recapitalisation occurs after 19 October 2009) for care and maintenance costs of the Twin Hills mine incurred after 27 July 2009 and prior to completion. Assumed initial payment of \$117,500 for care and maintenance costs.
2. The value of the tenement bonds at 30 June 2009, as confirmed by both Westpac Banking Corporation and National Australia Bank.
3. Indicative valuation of Stanthorpe Road Silver Spur land of \$450,000 as completed by Ronald J. Morris, Principal of Ron Morris Real Estate, High Street, Texas at 6 July 2009.
4. Indicative offer received 6 February 2009 of \$20,000 for the 8 residential lots in the County of Clive in the Parish of Silver Spur.
5. Valuation of plant and equipment completed by the Dominion Group at 20 November 2008. This is based on the indicative liquidation value of \$2,067,980.
6. Directors' valuation of mineral development, exploration and evaluation expenditure relating to all tenements, totalling \$1,800,000.
7. Future obligations to the Macmin Creditors' Trust to be established by the Administrator. Refer to notes (d) and (e) from the Explanation of the Balance Sheet Movements above. Assumed current liability of \$117,500 for care and maintenance costs.
8. National Australia Bank confirmed that the borrowings at 30 June 2009 totalled \$300,376, which consisted of the home loan for Stanthorpe, Silver Spur and hire purchase/leasing finance arrangements relating to plant and equipment.
9. The value of the Mine Rehabilitation Provision at 31 October 2008 in the books and records of the Company and Texas, immediately prior to the appointment of the Administrator, at \$4,028,973.
10. This represents the value of ordinary shares as at 31 October 2008, being the parent entity's carrying value of ordinary shares, in addition to the following:
  - additional \$150,000 from issue of shares relating to recapitalisation costs (150,000,000 shares at 0.1 cents);
  - \$4,000,000 raised from the share issue (assuming 400,000,000 shares issued at 1 cent);
  - less \$410,000 relating to capital raising costs (refer section 1.4); and
  - \$250,000 issue of shares to the Creditors' Trust (25,000,000 shares at 1 cent).
11. The share-based payments reserve comprises the balance as at 30 June 2008 plus the deemed value of \$1,500 for the Promoters' Options (150,000,000 free options) as calculated by the Black & Scholes' option valuation model (refer to Schedule 2).

PROXY FORM

APPOINTMENT OF PROXY
MACMIN SILVER LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 056 776 160

I/We [ ]

of [ ]

being a member of Macmin Silver Limited entitled to attend and vote at the General Meeting, hereby

Appoint [ ]

Name of proxy

OR [ ] the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 10am (WST) on 1 October 2009 at The Boardroom, 45 Ventnor Avenue, West Perth, Western Australia, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

[ ] If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote as your proxy in respect of Resolutions 2 to 5 please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 2 to 5 and that votes cast by the Chair of the General Meeting for Resolutions 2 to 5 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 2 to 5 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 2 to 5.

OR

Voting on Business of the General Meeting

Table with 3 columns: Resolution, Description, and Voting Options (FOR, AGAINST, ABSTAIN). Rows include Consolidation of Capital, Issue of Shares and Promoter Options, Re-election of Director, Change of Name, and Adoption of New Constitution.

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 to be counted in computing the required majority on a poll.

If more than one proxy is being appointed, the proportion of voting rights this proxy represents is %

Signature of Member(s): Date: \_\_\_\_\_

Individual or Member 1
[ ]
Sole Director/Company Secretary

Member 2
[ ]
Director

Member 3
[ ]
Director/Company Secretary

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

**MACMIN SILVER LIMITED**  
**ACN 056 776 160**

**Instructions for Completing 'Appointment of Proxy' Form**

1. **(Appointing a Proxy):** A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
  - **(Individual):** Where the holding is in one name, the member must sign.
  - **(Joint Holding):** Where the holding is in more than one name, all of the members 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 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.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (c) post to c:/ Pitcher Partners, Level 1, 914 Hay Street, Perth WA 6000; or
  - (d) facsimile to the Company on facsimile number +61 8 9322 1262,so that it is received not later than 10am am (WST) on 29 September 2009.

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