

# **TERRAIN MINERALS LTD**

**ACN 116 153 514**

## **Notice of Annual General Meeting**

**Annual General Meeting of Shareholders to be held at  
Suite 2, 28 Outram Street, West Perth, Western Australia on  
28 November 2016, commencing at 8am (WST).**

**Important**

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

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that an annual general meeting of the shareholders of Terrain Minerals Ltd ACN 116 153 514 (**Company**) will be held at Suite 2, 28 Outram Street, West Perth, Western Australia on 28 November 2016, commencing at 8am (WST). The Explanatory Statement that accompanies and forms part of this Notice describes in more detail the Resolutions to be considered.

### Business

#### Annual Report

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To receive and consider the Annual Report of the Company for the financial year ended 30 June 2016, which includes the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report.

#### Resolution 1: Approval of Remuneration Report

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

*"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2016 be adopted."*

**Note:** The votes on this Resolution are advisory only and do not bind the Directors or the Company.

##### Voting exclusion statement

The Company will disregard any votes cast on this Resolution:

- by or on behalf of a member of Key Management Personnel as disclosed in the Remuneration Report;
- by or on behalf of a Closely Related Party of a member of Key Management Personnel; and
- as a proxy by a member of Key Management Personnel or a Closely Related Party,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the Proxy Form or by the Chair pursuant to an express authorisation to exercise the proxy.

#### Resolution 2: Re-Election of Director – Mr Paul Dickson

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

*"That, for all purposes, Paul Dickson, who retires by rotation in accordance with clause 11.1.3 of the Constitution and Listing Rule 14.4 and who is eligible and offers himself for re-election, be re-elected as a Director."*

#### Resolution 3: Issue of Options to Justin Virgin (Executive Director)

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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, Listing Rule 10.11, and for all other purposes, approval be given for the issue of 6,000,000 Options to Justin Virgin (Executive Director) (and/or his nominee) for no cash consideration on the terms and conditions set out in the Explanatory Statement."*

##### Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Justin Virgin and/or his nominees; or
- an associate of Justin Virgin and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair 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 vote on this Resolution must not be cast (in any capacity) by or on behalf of:

- Justin Virgin and/or his nominees; or
- an associate of Justin Virgin and/or his nominees; or

However, a person (**voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution.

## **Resolution 4: Issue of Options to Paul Dickson (Non-Executive Chairman)**

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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, Listing Rule 10.11, and for all other purposes, approval be given for the issue of 3,000,000 Options to Paul Dickson (Non-Executive Director) (and/or his nominee) for no cash consideration on the terms and conditions set out in the Explanatory Statement.”*

**Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- Paul Dickson and/or his nominees; or
- an associate of Paul Dickson and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair 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 vote on this Resolution must not be cast (in any capacity) by or on behalf of:

- Paul Dickson and/or his nominees; or
- an associate of Paul Dickson and/or his nominees; or

However, a person (**voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution.

## **Resolution 5: Issue of Options to Jonathan Lim (Non-Executive Director)**

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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, Listing Rule 10.11, and for all other purposes, approval be given for the issue of 3,000,000 Options to Jonathan Lim (Non-Executive Director) (and/or his nominee) for no cash consideration on the terms and conditions set out in the Explanatory Statement.”*

**Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- Jonathan Lim and/or his nominees; or
- an associate of Jonathan Lim and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair 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 vote on this Resolution must not be cast (in any capacity) by or on behalf of:

- Jonathan Lim and/or his nominees; or
- an associate of Jonathan Lim and/or his nominees; or

However, a person (**voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution.

## Resolutions 6: Approval of 10% Placement Facility

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To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

*“That, for the purposes of Listing Rule 7.1A, and for all other purposes, approval be given for the issue of Equity Securities totaling up to 10% of the issued capital of the Company under and in accordance with Listing Rule 7.1A, on the terms and conditions set out in the Explanatory Statement.”*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person who may participate in an issue under the 10% Placement Facility and a person who might obtain a benefit (except a benefit solely in the capacity of a Shareholder) if the Resolution is passed, and any associate of those persons.

However, the Company need not disregard a vote if:

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

## Resolution 7: Issue of Shortfall Shares to the Underwriter under the Share Purchase Plan

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

*“That, for the purposes of Listing Rule 7.1, and for all other purposes, approval be given for the issue of Equity Securities up to the value of \$500,000 to the Underwriter (and/or its nominees) at the same price as the Shares that are issued under the Share Purchase Plan, on the terms and conditions set out in the Explanatory Statement.”*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- the Underwriter or any of its associates; or
- by a 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 Shareholder, if the Resolution is passed and any associates of those persons..

However, the Company need not disregard a vote if:

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

## Resolution 8: Issue of Shortfall Shares to Justin Virgin

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

*“That, for the purposes of Listing Rule 10.11, and for all other purposes, approval be given for the issue of Equity Securities up to the value of \$100,000 to Justin Virgin (and/or his nominees) at the same price as the Shares that are issued under the Share Purchase Plan, on the terms and conditions set out in the Explanatory Statement.”*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- Justin Virgin and/or his nominees; or
- an associate of Justin Virgin and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

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

## Resolution 9: Issue of Shortfall Shares to Jonathan Lim

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

*“That, for the purposes of Listing Rule 10.11, and for all other purposes, approval be given for the issue of Equity Securities up to the value of \$250,000 to Jonathan Lim (and/or his nominees) at the same price as the Shares*

*that are issued under the Share Purchase Plan, on the terms and conditions set out in the Explanatory Statement.”*

**Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- Jonathan Lim and/or his nominees; or
- an associate of Jonathan Lim and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

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

**By order of the Board**



**Winton Willesee**  
Joint Company Secretary  
Terrain Minerals Ltd

26 October 2016

## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the shareholders of Terrain Minerals Ltd ACN 116 153 514 (**Company**) in connection with the Resolutions to be considered at the Annual General Meeting to be held at Suite 2, 28 Outram Street, West Perth, Western Australia on 28 November 2016, commencing at 8am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

This Notice and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

### Interpretation

Capitalised terms used in this Notice and Explanatory Statement have the meaning given to them in the Definitions section.

References to “\$” and “A\$” in this Notice and Explanatory Statement are references to Australian currency unless otherwise stated.

References to time in this Notice and Explanatory Statement relate to the time in Perth, Western Australia.

### Voting exclusion statements

Certain voting restrictions apply to the Resolutions as detailed beneath the applicable Resolutions in the Notice.

### Proxies

Please note that:

- a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also speak at the Meeting;
- a proxy need not be a member of the Company;
- a Shareholder may appoint a body corporate or an individual as its proxy;
- a body corporate appointed as a Shareholder’s proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder’s proxy; and
- Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company or its share registry in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

Members of the Key Management Personnel will not be able to vote as proxy on Resolution 1 unless the Shareholder directs them how to vote or, in the case of the Chair, unless the Shareholder expressly authorises him to do so. If a Shareholder intends to appoint a member of the Key Management Personnel (other than the Chair) as their proxy, the Shareholder should ensure that they direct the member of Key Management Personnel how to vote on Resolution 1.

If a Shareholder intends to appoint the Chair as their proxy for Resolution 1, Shareholders can direct the Chair how to vote by marking one of the boxes for Resolution 1 (for example, if the Shareholder wishes to vote ‘for’, ‘against’ or to ‘abstain’ from voting). If the Shareholder does not direct the Chair how to vote, then by submitting the Proxy Form, the Shareholder will be expressly authorising the Chair to exercise the proxy in respect of Resolution 1 even though it is connected to the remuneration of members of the Key Management Personnel.

To vote by proxy, please complete and sign the enclosed Proxy Form and send by:

- post to the Company Secretary at P.O. Box 3144, Nedlands WA 6009;
- deliver to the Company Secretary at Suite 5 CPC, 145 Stirling Highway, Nedlands WA 6009; or
- email to the Company at [winton@azc.com.au](mailto:winton@azc.com.au),

so that it is received by no later than 8am (WST) on 26<sup>th</sup> November 2016. Proxy Forms received later than this time will be invalid.

**Voting intentions of the Chair**

The Chair intends to vote all available proxies in favour of all Resolutions.

**Voting entitlements**

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders as at 8am (WST) on 26<sup>th</sup> November 2016. Accordingly, transactions registered after this time will be disregarded in determining Shareholder's entitlement to attend and vote at the Annual General Meeting.



## **1. REGULATORY INFORMATION**

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### **1.1 Annual Report**

The Annual Report of the Company for the financial year ended 30 June 2016, which includes the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report, will be laid before the Annual General Meeting.

There is no requirement for Shareholders to approve the Annual Report. However, the Chair will allow a reasonable opportunity for Shareholders to ask questions or make comments about the Annual Report and the management of the Company.

A representative of the Company's auditor, BDO Audit (WA) Pty Ltd, is anticipated to be in attendance to respond to any questions raised of the auditor or on the Auditor's Report in accordance with section 250T of the Corporations Act.

## **2. Resolution 1: Approval of Remuneration Report**

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Section 249L(2) of the Corporations Act requires a company to inform Shareholders that a resolution on the Remuneration Report will be put at the Annual General Meeting. Section 250R(2) of the Corporations Act requires a resolution that the Remuneration Report adopted be put to a vote. Resolution 1 seeks this approval.

In accordance with section 250R(3) of the Corporations Act, Shareholders should note that Resolution 1 is an "advisory only" resolution which does not bind the Directors or the Company. However, the Directors take the discussion at the Meeting and the outcome of the vote into account when considering the Company's remuneration practices.

Following consideration of the Remuneration Report for the financial year ended 30 June 2016, the Chair, in accordance with section 250SA of the Corporations Act, will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

If at least 25% of the votes cast on a resolution for the adoption of a Remuneration Report are voted against at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution proposing that another general meeting be held within 90 days, at which all of the Company's Directors (other than the Managing Director) would go up for re-election.

The Directors encourage all Shareholders to vote on Resolution 1.

## **3. Resolution 2: Re-Election of Director – Mr Paul Dickson**

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### **3.1 Background**

In accordance with clauses 11.1.3 and 11.1.4 of the Constitution, at every annual general meeting, one third of the Directors excluding the Managing Director must retire from office and are eligible for re-election. Under clause 11.1.5 of the Constitution, the Directors to retire are to be those who have been longest in office since their last election. Among the Directors, Paul Dickson has been longest in office since his last election.

Listing Rule 14.4 states that no director is entitled to hold office without re-election past the third annual general meeting following the director's appointment or three years, whichever is longer. Paul Dickson was re-elected at the annual general meeting held on 26 November 2013 and therefore must retire and be re-elected at this Meeting.

Paul Dickson retires by rotation at this Annual General Meeting and, being eligible, offers himself for re-election. Brief background information on Paul Dickson is set out below:

#### **PAUL DICKSON B.Econ**

Mr Dickson is a director of Proserpine Capital Partners Pty Ltd, a Melbourne based Private Equity Firm, and a non-executive director of ASX listed Alligator Energy Ltd and unlisted Oil and Gas service provider Condor Energy Ltd. He has over twenty five years' experience in the securities and finance industries. The majority of

his career was spent at tier one firm Ord Minnett Ltd. In the past ten years he has been a corporate advisor providing a range of services including capital raising, with the majority of his time as principal and co-founder of Paradigm Capital.

### **3.2 Directors' recommendations**

Other than Paul Dickson who does not make any recommendation in relation to his own re-election, the Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

## **4. Resolutions 3-5: Issues of Options to Directors**

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### **4.1 Background**

The Board proposed, subject to obtaining Shareholder approval, to allot and issue a total of 12,000,000 Options to Justin Virgin who is an Executive Director of the Company, Paul Dickson who is a Non-Executive Chairman and Jonathan Lim who is a non-executive director of the Company (or their nominees) for no cash consideration with the terms and conditions set out in Annexure A.

The proposed issue of Options to the Directors or their nominees requires Shareholder approval under both the Corporations Act and Listing Rules.

Resolution 3 seeks Shareholder approval for the grant of 12,000,000 Options to the Directors (and/or their nominees).

### **4.2 Chapter 2E of Corporations Act**

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the public company 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 issue of Options to a Director requires the Company to obtain Shareholder approval because the Options constitute giving a financial benefit and as Directors, Justin Virgin, Paul Dickson and Jonathan Lim are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances.

In accordance with Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Options to Justin Virgin, Paul Dickson and Jonathan Lim.

#### **Resolution 3**

- (a) **The related party to whom the financial benefit will be given**

Justin Virgin and he is a related party by virtue of being a director of the Company.

- (b) **The nature of the financial benefits**

6,000,000 Options. The terms of the Options are set out in Annexure A.

- (c) **Director's recommendation and reason**

The Directors, who do not have a material personal interest in the outcome of Resolution 3, recommend that Shareholders vote in favour of Resolution 3 for the following reasons:

- (i) the Options are considered by the Directors to provide a cost effective means of remunerating Mr Virgin and aligning Mr Virgin's interest with the interests of other security holders without depleting the cash reserve of the Company; and
- (ii) the number of options to be issued is considered to be in line with the number issued to directors of similar companies.

(d) **Director 's interest in the outcome of the resolution**

The Directors, other than Justin Virgin, do not have a material personal interest in the outcome of Resolution 3.

Justin Virgin's, who stands to gain personally from the issue of the Options, declines to make any recommendation in relation to shareholders' consideration of the resolution.

(e) **Value attributed to the proposed issue of Director Options**

The value of the Options and the pricing methodology is set out in Annexure B.

(f) **Disclosure of a relevant director's total remuneration package**

The total annual remuneration paid to Justin Virgin for the last year is \$90,417 (plus superannuation) in cash and 10,000,000 options to acquire shares in the Company, and for the current year is estimated at \$100,000 including superannuation.

(g) **Related Party's existing interest in the Company**

Justin Virgin holds interests in 9,370,000 Shares and 17,000,000 options to acquire shares in the Company.

(h) **Dilution effect if the transaction on existing members' interests**

The share capital of the Company consists only of fully paid ordinary shares. There are currently 409,032,224 Shares and 57,100,000 options on issue in the Company. Should the 6,000,000 Options proposed to be issued in this Resolution be exercised in full, existing members' interests will be diluted by 1.45% based on the number of Shares on issue as at the date of this Notice (assuming no other options are exercised).

The Company's shares have a 12 month price range of a high of \$0.013 and a low of \$0.004 with the last sale price being \$0.1 on 18 October 2016.

The estimated cost to the Company of the issue of the Options, based on the valuation set out in Annexure B, is \$39,000.

Except as stated in this Explanatory Memorandum the Directors do not consider that, from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits foregone by granting the Options pursuant to the Resolution to Justin Virgin and/or his nominee upon the terms proposed, except as otherwise disclosed in this Explanatory Statement.

Neither the Company nor the Directors are aware of any undisclosed information that would be reasonably required by Shareholders to make a decision in relation to the potential financial benefits contemplated by the Resolution.

**Resolution 4**

(a) **The related party to whom the financial benefit will be given**

Paul Dickson and he is a related party by virtue of being a director of the Company.

(b) **The nature of the financial benefits**

3,000,000 Options. The terms of the Options are set out in Annexure A.

(c) **Director's recommendation and reason**

The Directors, who do not have a material personal interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4 for the following reasons:

- (i) the Options are considered by the Directors to provide a cost effective means of remunerating Mr Dickson and aligning Mr Dickson's interest with the interests of other security holders without depleting the cash reserve of the Company; and
- (ii) the number of options to be issued is considered to be in line with the number issued to directors of similar companies.

(d) **Director's interest in the outcome of the resolution**

The Directors, other than Paul Dickson, do not have a material personal interest in the outcome of Resolution 4.

Paul Dickson's, who stands to gain personally from the issue of the Options, declines to make any recommendation in relation to shareholders' consideration of the resolution.

(e) **Value attributed to the proposed issue of Director Options**

The value of the Options and the pricing methodology is set out in Annexure B.

(f) **Disclosure of a relevant director's total remuneration package**

The total annual remuneration paid to Paul Dickson for the last year is \$30,000 (plus superannuation) in cash and 4,000,000 options to acquire shares in the Company, and for the current year is estimated at \$30,000 plus superannuation.

(g) **Related Party's existing interest in the Company**

Paul Dickson holds 1,812,837 Shares and 11,000,000 options to acquire shares in the Company.

(h) **Dilution effect if the transaction on existing members' interests**

The share capital of the Company consists only of fully paid ordinary shares. There are currently 409,032,224 Shares and 57,100,000 options on issue in the Company. Should the 3,000,000 Options proposed to be issued in this Resolution be exercised in full, existing members' interests will be diluted by 0.73% based on the number of Shares on issue as at the date of this Notice.

The Company's shares have a 12 month price range of a high of \$0.013 and a low of \$0.004 with the last sale price being \$0.1 on 18 October 2016.

The estimated cost to the Company of the issue of the Options, based on the valuation set out in Annexure B, is \$19,500.

Except as stated in this Explanatory Memorandum the Directors do not consider that, from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits foregone by granting the Options pursuant to the Resolution to Paul Dickson and/or his nominee upon the terms proposed, except as otherwise disclosed in this Explanatory Statement.

Neither the Company nor the Directors are aware of any undisclosed information that would be reasonably required by Shareholders to make a decision in relation to the potential financial benefits contemplated by the Resolution.

## **Resolution 5**

(a) **The related party to whom the financial benefit will be given**

Jonathan Lim and he is a related party by virtue of being a director of the Company.

(b) **The nature of the financial benefits**

3,000,000 Options. The terms of the Options are set out in Annexure A.

(c) **Director's recommendation and reason**

The Directors, who do not have a material personal interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5 for the following reasons:

- (i) the Options are considered by the Directors to provide a cost effective means of remunerating Mr Lim and aligning Mr Lim's interest with the interests of other security holders without depleting the cash reserve of the Company; and
- (ii) the number of options to be issued is considered to be in line with the number issued to directors of similar companies.

(d) **Director's interest in the outcome of the resolution**

The Directors, other than Jonathan Lim, do not have a material personal interest in the outcome of Resolution 5.

Jonathan Lim's, who stands to gain personally from the issue of the Options, declines to make any recommendation in relation to shareholders' consideration of the resolution.

(e) **Value attributed to the proposed issue of Director Options**

The value of the Options and the pricing methodology is set out in Annexure B.

(f) **Disclosure of a relevant director's total remuneration package**

The total annual remuneration paid to Jonathan Lim for the last year is \$32,700 (including superannuation) in cash and 4,000,000 options to acquire shares in the Company, and for the current year is estimated at \$32,700 (including superannuation)

(g) **Related Party's existing interest in the Company**

Jonathan Lim holds 73,135,419 Shares and 11,000,000 options to acquire shares in the Company.

(h) **Dilution effect if the transaction on existing members' interests**

The share capital of the Company consists only of fully paid ordinary shares. There are currently 409,032,224 Shares and 57,100,000 options on issue in the Company. Should the 6,000,000 Options proposed to be issued in this Resolution be exercised in full, existing members' interests will be diluted by 0.73% based on the number of Shares on issue as at the date of this Notice (assuming no other options are exercised).

The Company's shares have a 12 month price range of a high of \$0.013 and a low of \$0.004 with the last sale price being \$0.1 on 18 October 2016.

The estimated cost to the Company of the issue of the Options, based on the valuation set out in Annexure B, is \$19,500.

Except as stated in this Explanatory Memorandum the Directors do not consider that, from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits foregone by granting the Options pursuant to

the Resolution to Jonathan Lim and/or his nominee upon the terms proposed, except as otherwise disclosed in this Explanatory Statement.

Neither the Company nor the Directors are aware of any undisclosed information that would be reasonably required by Shareholders to make a decision in relation to the potential financial benefits contemplated by the Resolution.

#### **4.3 Listing Rule 10.11**

Listing Rule 10.11 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company to a related party of the company. Each of Justin Virgin, Paul Dickson, and Jonathan Lim is a Director of the Company and therefore a related party of the Company.

Resolutions 3, 4 and 5 seek approval for the issue of 12,000,000 Options to the Directors (and/or their nominees) for the purpose of satisfying the requirements of Listing Rule 10.11. As approval is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1. By approving the grant of the Options under Listing Rule 10.11, the 12,000,000 Options will not be included in the 15% calculation of the Company's placement capacity pursuant to Listing Rule 7.1.

#### **Resolution 3**

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 3:

(a) **Name of the persons**

Justin Virgin and/or his nominees.

(b) **Maximum number of securities to be issued**

6,000,000 Options.

(c) **Date by which the entity will issue the securities**

It is anticipated that the Options will be issued and allotted within 7 days of the Annual General Meeting. In any event, however, no Options will be issued to Justin Virgin (and/or his nominees) later than one month after the Annual General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Relationship**

Justin Virgin is a related party of the Company by virtue of him being a Director of the Company.

(e) **Issue price of the securities**

The Options will be issued for nil cash consideration.

(f) **Terms of the securities**

The terms of the Options are set out in Annexure A.

(g) **Intended use of the funds raised**

No funds will be raised from the issue of the 6,000,000 Options. In the event of exercise of the Options, funds raised will be used towards the working capital of the Company.

#### **Resolution 4**

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 4:

(a) **Name of the persons**

Paul Dickson and/or his nominees.

(b) **Maximum number of securities to be issued**

3,000,000 Options.

(c) **Date by which the entity will issue the securities**

It is anticipated that the Options will be issued and allotted within 7 days of the Annual General Meeting. In any event, however, no Options will be issued to Paul Dickson (and/or his nominees) later than one month after the Annual General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Relationship**

Paul Dickson is a related party of the Company by virtue of it being a Director of the Company.

(e) **Issue price of the securities**

The Options will be issued for nil cash consideration.

(f) **Terms of the securities**

The terms of the Options are set out in Annexure A.

(g) **Intended use of the funds raised**

No funds will be raised from the issue of the 3,000,000 Options. In the event of exercise of the Options, funds raised will be used towards the working capital of the Company.

#### **Resolution 5**

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 5:

(a) **Name of the persons**

Jonathan Lim and/or his nominees.

(b) **Maximum number of securities to be issued**

3,000,000 Options

(c) **Date by which the entity will issue the securities**

It is anticipated that the Options will be issued and allotted within 7 days of the Annual General Meeting. In any event, however, no Options will be issued to Jonathan Lim (and/or his nominees) later than one month after the Annual General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Relationship**

Jonathan Lim is a related party of the Company by virtue of it being a Director of the Company.

(e) **Issue price of the securities**

The Options will be issued for nil cash consideration.

(f) **Terms of the securities**

The terms of the Options are set out in Annexure A.

(g) **Intended use of the funds raised**

No funds will be raised from the issue of the 3,000,000 Options. In the event of exercise of the Options, funds raised will be used towards the working capital of the Company.

#### 4.4 **Directors' recommendations**

- (a) The Directors (other than Mr Justin Virgin) recommend that Shareholders vote in favour of Resolution 3.
- (b) The Directors (other than Mr Paul Dickson) recommend that Shareholders vote in favour of Resolution 4.
- (c) The Directors (other than Mr Jonathan Lim) recommend that Shareholders vote in favour of Resolution 5.

## 5. **Resolution 6: Approval of 10% Placement Facility**

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### 5.1 **Background**

Resolution 6 is a special resolution which seeks Shareholders' approval for the issue of Equity Securities totaling up to 10% of the issued capital of the Company under and in accordance with Listing Rule 7.1A.

As Resolution 6 is a special resolution, at least 75% of the votes cast on Resolution 6 must be cast in favour of the Resolution in order for it to be passed.

### 5.2 **Listing Rule 7.1A**

Listing Rule 7.1A enables eligible entities to issue Equity Securities totaling up to 10% of its issued share capital through placements over a 12 month period after the entity's annual general meeting (**10% Placement Facility**). An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1. The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to formula below).

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

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

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

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;



- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 or 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (d) less the number of fully paid shares cancelled in the 12 months.

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

**D** is 10%.

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

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice, the only quoted Equity Securities that the Company has on issue are its Shares and Options.

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

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

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

- the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

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

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

For the purposes of Listing Rule 7.3A, the following information is provided to Shareholders in relation to Resolution 6:

(a) **Minimum price at which the securities may be issued**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:

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

(b) **Risk of dilution**

If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2.

The table also shows:

- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future general meeting; and
- (ii) two examples where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

<b>Variable 'A' in Listing Rule 7.1A.2</b>		<b>50% decrease in Market Price \$0.005</b>	<b>Current Market Price \$0.01</b>	<b>100% increase in Market Price \$0.02</b>
<b>Current Variable 'A' 409,032,224</b>	<b>10% Voting Dilution</b>	40,903,222 Shares	40,903,222 Shares	40,903,222 Shares
	<b>Funds raised</b>	\$163,613	\$327,226	\$654,452
<b>50% increase in current Variable 'A' 651,548,336</b>	<b>10% Voting Dilution</b>	61,354,834 Shares	61,354,834 Shares	61,354,834 Shares
	<b>Funds raised</b>	\$245,419	\$490,839	\$981,677
<b>100% increase in current Variable 'A' 818,064,448</b>	<b>10% Voting Dilution</b>	81,806,445 Shares	81,806,445 Shares	81,806,445 Shares
	<b>Funds raised</b>	\$327,226	\$654,452	\$1,308,903

**Notes:**

1. Assumes the Company issues the maximum number of Equity Securities available under the 10% Placement Facility.

2. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
3. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
4. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
6. The market price used is \$0.008, being the closing price of Shares on 25 October 2016.

**(c) Date by which the securities may be issued**

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (disposal of the main undertaking of the Company).

**(d) Purposes for which the securities may be issued**

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised for acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities under rule 7.1A.

**(e) Allocation policy for issues of securities**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of recipients of Equity Securities will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

- (i) the purpose of the issue;
- (ii) the methods of raising funds that are available to the Company including, but not limited to, rights issues or other issues in which existing security holders can participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the financial situation and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Recipients of Equity Securities under the 10% Placement Facility have not been determined at the date of this Notice but are likely to be investors which are sophisticated or professional investors (or both) for the purposes of section 708 of the Corporations Act.

(f) **Details of previous issues of securities**

During the 12 months preceding the date of the Annual General Meeting, the Company has issued 22,600,000 options, representing approximately 6.48% of the total number of Equity Securities on issue at the commencement of that period.

Details of all issues of Equity Securities during that period are as follows:

<b>Unlisted options</b>	
<b>Date of issue</b>	24 November 2015.
<b>Number issued</b>	(1) 10,000,000 options (2) 4,000,000 options (3) 4,000,000 options (4) 4,000,000 options (5) 600,000 options
<b>Class of security</b>	Options.
<b>Summary of terms</b>	Each option is exercisable at \$0.0117 and expires on 24 November 2020.
<b>Persons who received securities</b>	(1) Justin Virgin (or his nominees) (2) Paul Dickson (or his nominees) (3) David Porter (or his nominees) (4) Jonathan Lim (or his nominee) (5) Damian Delaney (or his nominees)
<b>Issue price</b>	Nil.
<b>Discount to market price</b>	Based on a Black and Scholes valuation the options were valued at \$0.04 on the date of Issue.
<b>Total cash consideration</b>	Nil cash consideration.
<b>Amount of cash spent</b>	Not applicable
<b>Use of cash</b>	Not applicable
<b>Intended use of remaining cash</b>	Not applicable

**Directors' recommendations**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

## **6. Resolution 7 – Issue of Shortfall Shares to the Underwriter under the Share Purchase Plan**

### **6.1 Background**

As announced to the ASX on 28 October 2016, the Company is undertaking an offer of shares under a Share Purchase Plan (**Plan**). Under the terms of the Plan, the Company has offered each eligible Shareholder the opportunity to purchase Shares up to \$15,000 in value (**Plan Shares**). The Plan Shares will be issued at a price equal to a 15% discount to the VWAP for the Shares calculated over the last 5 days on which sales in the Shares were recorded before the Issue Date.

The Company has appointed Patersons Securities Limited (ABN 69 008 896 311) (**Underwriter**) to manage and to underwrite the Plan up to \$500,000. In the event that eligible Shareholders do not subscribe for all of the Plan Shares then the Underwriter must (or arrange for its nominees to), subject to this approval being sought, subscribe for Shortfall Shares to the value of \$500,000. The Company reserves absolute discretion regarding the amount raised under the SPP and the exercise of its rights to accept additional funds or to scale-back applications.

### **6.2 Listing Rule 7.1**

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 if the number of those securities exceeds 15% of the company's issued capital at the commencement of that 12 month period.

The issue of shares under a share purchase plan is an exception to Listing Rule 7.1. However, this exception does not extend to the issue of shares to the plan's underwriters. Resolution 7 therefore seeks Shareholder approval pursuant to Listing Rule 7.1 to authorise the Company to issue Shortfall Shares to the Underwriter or its nominees pursuant to the Plan.

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purpose of Listing Rule 7.1. As required by Listing Rule 7.3, the following information is provided:

(a) **Maximum number of securities to be issued**

The maximum number of Shortfall Shares to be issued to the Underwriter or its nominees is not known at the date of this Notice. However, Shortfall Shares up to a value of \$500,000 will be issued at the same price as Shares that are issued under the Plan (being 85% of the VWAP calculated over the last 5 days on which sales in the Shares were recorded before the Issue Date).

(b) **Issue Date and date by which the entity will issue the securities**

It is anticipated that the Shortfall Shares will be issued and allotted on a date specified in accordance with the terms of the underwriting arrangements. In any event, however, no Shortfall Shares will be issued to the Underwriter (and/or its nominees) later than three months after the Annual General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(c) **Issue price of the securities**

The issue price of the Shortfall Shares that may be issued to the Underwriter and/or its nominees will be the same price as the Shares issued under the Plan which will be equal to 85% of the VWAP calculated over the last 5 days on which sales in the Shares were recorded before the Issue Date.

(d) **Name of the persons to whom the entity will issue the securities**

Patersons Securities Limited (and/or its nominees) if there is available shortfall under the Plan. Justin Virgin and Jonathan Lim (both Directors) or their nominees propose to subscribe for part of the shortfall, which is the subject of Resolutions 8 and 9.

(e) **Terms of the securities**

The Shortfall Shares will be fully paid ordinary shares of the Company that rank equally with the Company's current issued Shares.

(f) **Intended use of the funds raised**

The Company intends to use the funds raised from the Plan (including under any shortfall) to progress its Great Western project and for working capital.

**6.3 Directors' Recommendation**

The Directors (other than Mr Justin Virgin and Mr Jonathan Lim) unanimously recommend that Shareholders vote in favour of this Resolution 7.

**7. Resolutions 8-9: Issue of Shortfall Shares to related parties**

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**7.1 Background**

Subject to Shareholder approval, Justin Virgin (Executive Director) and Jonathan Lim (non-executive director) have agreed with the Underwriter to take up part of the Shortfall under the Plan, if any, up to the amounts of \$100,000 and \$250,000 respectively.

**7.2 Chapter 2E of Corporations Act**

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the public company 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.

Section 210 of the Corporations Act provides that shareholder approval is not required to give a financial benefit on terms that would be reasonable in the circumstances if the entity and the related person were dealing at arm's length, or on terms that are less favourable to the related party than these terms.

The issue of Shares to a Director requires the Company to obtain Shareholder approval because it constitutes giving a financial benefit and as Directors, Justin Virgin and Jonathan Lim are related parties of the Company.

The Directors (other than Justin Virgin in respect of Resolution 8 and Jonathan Lim in respect of Resolution 9 who have a material personal interest in those respective Resolutions) consider that the issue of the Shortfall Shares to Justin Virgin and Jonathan Lim (or their associates) as sub-underwriters falls within the exception in section 210 of the Corporations Act, and therefore shareholder approval pursuant to section 208 of the Corporations Act is not required, on the basis that:

- (a) the sub-underwriting agreements have been negotiated at arm's length;
- (b) the terms of the sub-underwritings agreements were considered to be on usual 'arm's length' commercial terms, with terms the same as other sub-underwriting agreements with non-related party participants; and
- (c) the Shortfall Shares will be issued at the same price as the Shares that are issued under the Plan.

**7.3 Listing Rule 10.11**

Listing Rule 10.11 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company to a related party of the company. Each of Justin Virgin and Jonathan Lim is a Director of the Company and therefore a related party of the Company.

The issue of shares under a share purchase plan is an exception to Listing Rule 10.11. However, this exception does not extend to the issue of shares under a sub-underwriting agreement.

Resolutions 8 and 9 seek approval for the issue of Shortfall Shares to Justin Virgin in respect of Resolution 8 and Jonathan Lim in respect of Resolution 9 (and/or their nominees) for the purpose of satisfying the requirements of Listing Rule 10.11. As approval is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1. By approving the issue of Shares under Listing Rule 10.11, the Shares issued to Justin Virgin and Jonathan Lim will not be included in the 15% calculation of the Company's placement capacity pursuant to Listing Rule 7.1.

#### **Resolution 8**

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 8:

(a) **Name of the persons**

Justin Virgin and/or his nominees.

(b) **Maximum number of securities to be issued**

The maximum number of Shortfall Shares that may be issued to Justin Virgin and/or his nominees is not known at the date of this Notice. However Shortfall Shares up to the value of \$100,000 will be issued to Justin Virgin and/or his nominee at the same price as the Shares that are issued under the Plan (being 85% of the VWAP calculated over the last 5 days on which sales in the Shares were recorded before the Issue Date).

(c) **Date by which the entity will issue the securities**

It is anticipated that the Shortfall Shares will be issued and allotted on a date specified in accordance with the terms of the sub-underwriting arrangements. In any event, however, no Shares will be issued to Justin Virgin (and/or his nominees) later than one month after the Annual General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Relationship**

Justin Virgin is a related party of the Company by virtue of him being a Director of the Company.

(e) **Issue price of the securities**

The issue price of the Shortfall Shares that may be issued to Justin Virgin and/or his nominees will be the same price as the Shares issued under the Plan which will be equal to 85% of the VWAP calculated over the last 5 days on which sales in the Shares were recorded before the Issue Date.

(f) **Terms of the securities**

The Shortfall Shares will be fully paid ordinary shares of the Company that rank equally with the Company's current issued Shares.

(g) **Intended use of the funds raised**

The Company intends to use the funds raised from the Plan (including under any shortfall) to progress its Great Western project and for working capital.

#### **Resolution 9**

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 9:

(a) **Name of the persons**

Jonathan Lim and/or his nominees.

(b) **Maximum number of securities to be issued**

The maximum number of Shortfall Shares that may be issued to Jonathan Lim and/or his nominees is not known at the date of this Notice. However Shortfall Shares up to the value of \$250,000 will be issued to Jonathan Lim and/or his nominee at the same price as the Shares that are issued under the Plan (being 85% of the VWAP calculated over the last 5 days on which sales in the Shares were recorded before the Issue Date).

(c) **Date by which the entity will issue the securities**

It is anticipated that the Shortfall Shares will be issued and allotted on a date specified in accordance with the terms of the sub-underwriting arrangements. In any event, however, no Shares will be issued to Jonathan Lim (and/or his nominees) later than one month after the Annual General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Relationship**

Jonathan Lim is a related party of the Company by virtue of him being a Director of the Company.

(e) **Issue price of the securities**

The issue price of the Shortfall Shares that may be issued to Jonathan Lim and/or his nominees will be the same price as the Shares issued under the Plan which will be equal to 85% of the VWAP calculated over the last 5 days on which sales in the Shares were recorded before the Issue Date.

(f) **Terms of the securities**

The Shortfall Shares will be fully paid ordinary shares of the Company that rank equally with the Company's current issued Shares.

(g) **Intended use of the funds raised**

The Company intends to use the funds raised from the Plan (including under any shortfall) to progress its Great Western project and for working capital.

**7.4 Directors' recommendations**

(a) The Directors (other than Mr Justin Virgin) recommend that Shareholders vote in favour of Resolution 8.

(b) The Directors (other than Mr Jonathan Lim) recommend that Shareholders vote in favour of Resolution 9.



## DEFINITIONS

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In this Notice and Explanatory Statement, the following terms have the following meanings:

**10% Placement Facility** has the meaning given in Section 5.2.

**10% Placement Period** has the meaning given in Section 5.2.

**Annexure** means an annexure to this Explanatory Statement.

**Annual General Meeting** or **Meeting** means the annual general meeting of Shareholders to be held on 28 November 2016, at 8am (WST).

**Annual Report** means the annual report of the Company for the financial year ended 30 June 2016.

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

**ASX** means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

**Auditor's Report** means the Directors' Report, the Financial Report and Auditor's Report, in respect of the financial year ended 30 June 2016.

**Board** means the board of Directors.

**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.

**Chair** means the chairperson of the Meeting.

**Closely Related Party** means a closely related party of a member of Key Management Personnel as defined in Section 9 of the Corporations Act, being:

- a spouse or child of the member;
- a child of that member's spouse;
- a dependent of that member or of that member's spouse;
- anyone else who is one of that member's family and may be expected to influence that member, or be influenced by that member, in that member's dealings with the Company;
- a company that is controlled by that member; or
- any other person prescribed by the regulations.

**Company** means Terrain Minerals Ltd ACN 116 153 514.

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

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

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company.

**Equity Securities** has the meaning given in the Listing Rules.

**Explanatory Statement** means the explanatory statement incorporated in the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company.

**Issue Date** means the date on which the issue of Shares (excluding Shortfall Shares) is made pursuant to the Share Purchase Plan.

**Key Management Personnel** means the key management personnel of the Company as defined in Section 9 of the Corporations Act and Australian Accounting Standards Board accounting standard 124, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

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

**Notice of Annual General Meeting** or **Notice** means the notice of general meeting incorporating the Explanatory Statement.

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

**Plan** or **Share Purchase Plan** means share purchase plan of the Company as described in Section 6.1 of the Explanatory Statement.

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

**Remuneration Report** means the section of the Annual Report entitled 'Remuneration Report'.

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

**Section** means a section contained in the Explanatory Statement.

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

**Shareholder** means a holder of one or more Shares.

**Shortfall** means the balance of Shares not subscribed for by eligible Shareholders under the Plan.

**Trading Day** has the meaning given in the Listing Rules.

**Underwriter** means Patersons Securities Limited (ABN 69 008 896 311).

**VWAP** means volume weighted average market price.

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

## ANNEXURE A – TERMS AND CONDITIONS OF OPTIONS

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Terms of the Options the subject of Resolutions 3, 4 and 5 are set out below.

**(a) Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

**(b) Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be the amount that is 200% of the 10 day VWAP prior to the date of the Meeting (**Exercise Price**).

**(c) Expiry Date**

Each Option will expire at 5.00pm (WST) 5 years from date of issue (**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 of issue of Shares on exercise**

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:
  - (iii) 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;
  - (iv) 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
  - (v) 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)(iv) 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 issued 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 Option holder 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) Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

**(m) Transferability**

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

## ANNEXURE B – VALUATION OF OPTIONS

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The Options to be issued to the Directors pursuant to Resolutions 3, 4 and 5 have been valued by internal management.

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

**Assumptions:**

<i>Valuation date</i>	17 October 2016
<i>Market price of Shares</i>	\$0.01
<i>Exercise price</i>	\$0.02
<i>Expiry date (length of time from issue)</i>	5 years
<i>Risk free interest rate</i>	1.5%
<i>Volatility</i>	100%

<b><i>Indicative value per Option</i></b>	\$0.0065
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<b><i>Total Value of Options</i></b>	\$78,000
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- Mr Justin Virgin	\$39,000
- Mr Paul Dickson	\$19,500
- Mr Jonathan Lim	\$19,500

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

**Terrain Minerals Ltd  
ACN 116 153 514**

**PROXY FORM**

I/We

of

being a member of Terrain Minerals Ltd ACN 116 153 514 entitled to attend and vote at the Annual General Meeting, hereby

Appoint

**Name of Proxy**

**OR** the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 8 am (WST) on 28 November 2016, at Suite 2, 28 Outram Street, West Perth, Western Australia, and at any adjournment thereof.

**The Chair intends to vote all undirected proxies in favour of all Resolutions.** If you have appointed the Chair as your proxy (or the Chair becomes your proxy by default), and you wish to give the Chair specific voting directions on a Resolution, you should mark the appropriate box(es) opposite those Resolutions in the panel below (i.e. directing the Chair to vote for, against or to abstain from voting).

**OR**

<b>Voting on business of the Annual General Meeting</b>		<b>For</b>	<b>Against</b>	<b>Abstain</b>
Resolution 1	Approval of Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-Election of Director – Mr Paul Dickson.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Options to Justin Virgin (Executive Director).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Options to Paul Dickson (Non-Executive Chairman).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Options to Jonathan Lim (Non-Executive Director).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of 10% Placement Facility.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shortfall Shares to the Underwriter under SPP.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Shortfall Shares to Justin Virgin.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Issue of Shortfall Shares to Jonathan Lim.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**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.

If two proxies are 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):** \_\_\_\_\_

## Instructions for Proxy Form

### 1. Your name and address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note you cannot change ownership of your securities using this form.

### 2. Appointment of a proxy

You are entitled to appoint no more than two proxies to attend and vote on a poll on your 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 your voting rights. If you appoint two proxies and the appointment does not specify this proportion, each proxy may exercise half of your votes.

If you wish to appoint the Chair of the Annual General Meeting as your proxy, please mark the box. If you leave this section blank or your named proxy does not attend the Annual General Meeting, the Chair will be your proxy. A proxy need not be a Shareholder.

### 3. Voting on Resolutions

You 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 your vote will be invalid on that item.

### 4. Signing instructions

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

- **(Individual)** Where the holding is in one name, the holder 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 lodged the power of attorney with the Company's share 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, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, as sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

### 5. Return of a Proxy Form

To vote by proxy, please complete and sign the enclosed Proxy Form (and any power of attorney and/or second Proxy Form) and return by:

- post to the Company Secretary at P.O. Box 3144, Nedlands WA 6009;
- deliver to the Company Secretary at Suite 5 CPC, 145 Stirling Highway, Nedlands WA 6009; or
- email to the Company at [winton@azc.com.au](mailto:winton@azc.com.au),

so that it is received by no later than 8am (WST) on 26 November 2016. **Proxy Forms received later than this time will be invalid.**