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# **BLACK CAT SYNDICATE LIMITED**

ABN 63 620 896 282

## **NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT**

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**TIME:** 10:00am (WST)

**DATE:** Tuesday, 25 June 2019

**PLACE:** Fellows Room, Trinity  
230 Hampden Road, Crawley, Western Australia 6009

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## **LETTER FROM THE CHAIRMAN**

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20<sup>th</sup> May 2019

Dear Fellow Black Cat Shareholder

Please find enclosed the Notice of General Meeting for the Shareholders' Meeting to be held at The Fellows Room, Trinity, 230 Hampden Road, Crawley, Western Australia at 10.00am (WST) on Tuesday, 25 June 2019.

Trinity offers limited complimentary parking for conference attendees. Please ensure you display a valid parking permit (issued by Trinity reception) at all times. Free parking is also available on Hampden Road up to a maximum of three hours.

The purpose of the meeting is to seek shareholder approval in accordance with the Corporations Act 2001 and the ASX Listing Rules of the ASX to a number of resolutions, which are set out in the attached Notice of General Meeting paper.

Your Directors seek your support and look forward to your attendance at the meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Chapman', with a stylized, flowing script.

**Paul Chapman**  
**Chairman**

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## NOTICE OF GENERAL MEETING

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Notice is hereby given that a General Meeting of Black Cat Syndicate Limited will be convened at The Fellows Room, Trinity, 230 Hampden Road, Crawley, Western Australia at 10.00am (WST) on Tuesday, 25 June 2019.

### AGENDA

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#### ORDINARY BUSINESS

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**1. Ratification of Prior Issue of Equity Securities – Placement Shares – ASX Listing Rule 7.1**

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

*“That, for the purposes of ASX Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the prior issue of 5,849,000 ordinary fully paid shares pursuant to the Placement announced on 2 May 2019 on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

The issue was in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting.

##### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of Agenda Item 1 by any person who participated in the issue, and any associate of that person (or those persons).

Before a voting exclusion applies, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

**2. Ratification of Prior Issue of Equity Securities – Placement Shares – ASX Listing Rule 7.1A**

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

*“That, for the purposes of ASX Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the prior issue of 5,726,000 ordinary fully paid shares pursuant to the Placement announced on 2 May 2019 on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

The issue was in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting.

##### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of Agenda Item 2 by any person who participated in the issue, and any associate of that person (or those persons).

Before a voting exclusion applies, the Company need not disregard a vote if:

- (a) 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
- (b) 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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## NOTICE OF GENERAL MEETING (CONTINUED)

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### AGENDA (CONTINUED)

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#### ORDINARY BUSINESS (CONTINUED)

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#### 3. Participation in Share Placement by Directors – Resolutions (a), (b) and (c)

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue of up to 925,000 shares to Directors of the Company (or their nominees) as set out in resolutions (a), (b) and (c), raising \$185,000 pursuant to a Share Placement, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

| Director         | Number of Shares |
|------------------|------------------|
| (a) Paul Chapman | 550,000          |
| (b) Gareth Solly | 125,000          |
| (c) Les Davis    | 250,000          |

The issue to be made in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting.

#### Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 3 resolutions (a), (b) and (c) by Mr Paul Chapman, Mr Gareth Solly and Mr Les Davis (or their nominees) respectively, and any associate of that person (or those persons).

Before a voting exclusion applies, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

#### 4. Approval of the Grant of Options to Director – Mr Gareth Solly

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

*“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 500,000 options to Mr Gareth Solly to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

#### Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 4 by Mr Gareth Solly, and of his associates.

Before a voting exclusion applies, the Company need not disregard a vote if:

- (a) 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
- (b) 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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## NOTICE OF GENERAL MEETING (CONTINUED)

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### AGENDA (CONTINUED)

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#### ORDINARY BUSINESS (CONTINUED)

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#### 4. Approval of the Grant of Options to Director – Mr Gareth Solly (Continued)

##### Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 4 unless:

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

Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 4.

Shareholders may also choose to direct the Chair to vote against Agenda Item 4, or to abstain from voting.

#### 5. Approval of the Grant of Options to Director – Mr Les Davis

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

*“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 250,000 options to Mr Les Davis to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

##### Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 5 by Mr Les Davis or any of his associates.

Before a voting exclusion applies, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

##### Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 5 unless:

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

Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 5.

Shareholders may also choose to direct the Chair to vote against Agenda Item 5, or to abstain from voting.

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## NOTICE OF GENERAL MEETING (CONTINUED)

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### AGENDA (CONTINUED)

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### ORDINARY BUSINESS (CONTINUED)

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#### 6. Approval of the Grant of Options to Related Party – Mrs Tracey Chapman

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

*“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 100,000 options to Mrs Tracey Chapman to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

#### Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 6 by Mr Paul Chapman and Mrs Tracey Chapman or any of their associates.

Before a voting exclusion applies, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 6 unless:

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

Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 6.

Shareholders may also choose to direct the Chair to vote against Agenda Item 6, or to abstain from voting.

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## NOTICE OF GENERAL MEETING (CONTINUED)

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### OTHER BUSINESS

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

### GENERAL NOTES

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1. **Voting by Proxy:** Sections 250BB and 250BC of the Corporations Act apply to voting by proxy. Shareholders and their proxies should be aware of these Sections of the Corporations Act, as they will apply to this General Meeting, specifically:

- if proxy holders vote, they must cast all directed proxies as directed; and
- if a poll is demanded for a particular resolution, any directed proxies which are not voted (where the appointed proxy is not the chair of the meeting) will automatically default to the Chair, who must vote the proxies as directed.

#### ***Proxy Vote if Appointment Specifies Way to Vote***

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

the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and

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

#### ***Transfer of Non-chair Proxy to Chair in Certain Circumstances***

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

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

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

2. The Explanatory Statement to Shareholders attached to this Notice of General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.
3. The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 5.00pm on Sunday 23 June 2019.

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### BY ORDER OF THE BOARD



**Dan Travers**  
**Company Secretary**

Dated this 20<sup>th</sup> day of May 2019

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## EXPLANATORY STATEMENT

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The purpose of the Explanatory Statement is to provide shareholders with information concerning the Agenda Items in the Notice of General Meeting.

### **Information Relating to Agenda Items 1 and 2**

On 2 May 2019, the Company announced to the Australian Securities Exchange a share placement (Placement) to professional and sophisticated investors to raise \$2.5 million, before costs, by the issue of 10 million ordinary fully paid shares (Placement Shares) at an issue price of 20 cents per share.

The Company issued a total of 5,849,000 Placement Shares without prior Shareholder approval out of its 15% annual placement capacity under ASX Listing Rule 7.1, and 5,726,000 Placement Shares out of its additional 10% placement capacity under ASX Listing Rule 7.1A which was approved by Shareholders on 27 November 2018.

The remainder of the Placement, being 925,000 Placement Shares, is to be issued to Directors of the Company, subject to shareholder approval being sought under the resolutions attaching to Agenda Item 3.

Investors in Placement Shares may be eligible to receive exploration credits pursuant to the Junior Mineral Exploration Incentive ("JMEI") Scheme for the 2018-19 financial year.

### **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

### **ASX Listing Rule 7.1A**

ASX Listing Rule 7.1A provides that a company may seek Shareholder approval at its annual general meeting to allow it to issue Securities up to 10% of its issued capital, provided that it is an eligible entity ("Eligible Entity").

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- is not included in the S&P/ASX 300 Index; and
- has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300 million.

At the time approval was obtained, the Company was an Eligible Entity as it was not included in the S&P/ASX 300 Index and had a market capitalisation of less than \$300 million.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1 and 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 or 7.1A (and provided that the previous issue did not breach ASX Listing Rule 7.1 or 7.1A) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1 and 7.1A.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and up to the 10% annual placement capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

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## EXPLANATORY STATEMENT (CONTINUED)

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### 1. Ratification of Prior Issue of Equity Securities – Share Placement – ASX Listing Rule 7.1

Agenda Item 1 seeks ratification of the issue of Placement shares made under the Company's 15% placement capacity (ASX Listing Rule 7.1) to non-related parties of the Company pursuant to ASX Listing Rule 7.4.

#### Technical Information Required by ASX Listing Rule 7.4

ASX Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of equity securities issued was 5,849,000 ordinary fully paid shares ("Shares") issued pursuant to ASX Listing Rule 7.1;
- (b) the Shares were issued at a placement price of 20 cents each;
- (c) the Shares issued ranked equally with existing ordinary fully paid shares on issue;
- (d) the Shares were issued to professional and sophisticated investors, none of whom are related parties of the Company; and
- (e) the funds raised from the Placement are to be used to advance exploration programs across the Bulong Gold Project and provide working capital.

### 2. Ratification of Prior Issue of Equity Securities – Share Placement – ASX Listing Rule 7.1A

Agenda Item 2 seeks ratification of the issue of Placement shares made under the Company's additional 10% placement capacity (ASX Listing Rule 7.1A) to non-related parties of the Company pursuant to ASX Listing Rule 7.4.

#### Technical Information Required by ASX Listing Rule 7.4

ASX Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of equity securities issued was 5,726,000 ordinary fully paid shares ("Shares") issued pursuant to ASX Listing Rule 7.1A;
- (b) the Shares were issued at a placement price of 20 cents each;
- (c) the Shares issued ranked equally with existing ordinary fully paid shares on issue;
- (d) the Shares were issued to professional and sophisticated investors, none of whom are related parties of the Company; and
- (e) the funds raised from the Placement are to be used to advance exploration programs across the Bulong Gold Project and provide working capital.

### 3. Participation in the Placement by Directors – Resolutions (a), (b) and (c)

Agenda Item 3 seeks shareholder approval for the proposed participation by Directors of the Company (or their nominees) in the Placement on exactly the same terms and conditions to the Placement made to the unrelated parties the subject of Agenda Items 1 and 2.

#### Chapter 2E of the Corporations Act

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to Section 208 apply or Shareholders have in general meeting approved the giving of that financial benefit to the related party. A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities. For the purposes of this meeting, a "related party" includes a director of the Company. Accordingly, the proposed issue of shares to a Director involves the provision of a financial benefit to a related party of the Company.

## **EXPLANATORY STATEMENT (CONTINUED)**

### **3. Participation in Placement by Directors – Resolutions (a), (b) and (c) (Continued)**

Section 210 of the Corporations Act provides that an entity does not need to obtain Shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the related party and the entity are dealing at arm's length (or terms less favourable than arm's length).

Given that the Related Parties will be subscribing for shares under the Placement on the same terms as all other placement investors, the Board is of the view that the proposed issue is determined to be at arm's length and therefore that the exception in Section 210 of the Corporations Act is relevant to the Resolutions attaching to Agenda Item 3, and as such is not seeking Shareholder approval pursuant to Chapter 2E of the Corporations Act.

Whilst Shareholder approval is not being sought pursuant to Chapter 2E of the Corporations Act, the following information is provided to allow Shareholders to assess the proposed issue of shares to the Related Parties:

- (a) the related parties to whom the financial benefit will be given are Mr Paul Chapman, Mr Gareth Solly and Mr Les Davis (or their respective nominees); and
- (b) the number of shares proposed to be issued is 925,000 ordinary fully paid shares at 20 cents per share, which would represent 1.3% of the expanded issued capital on an undiluted basis after the Placement.

The number of shares to be issued to, and the total subscription funds payable by the Directors, if the resolutions the subject of Agenda Item 3 are approved by Shareholders, is as follows:

| <b>Director</b>               | <b>Number of Shares</b> | <b>Subscription Funds<br/>\$</b> |
|-------------------------------|-------------------------|----------------------------------|
| (a) Paul Chapman (or nominee) | 550,000                 | 110,000                          |
| (b) Gareth Solly (or nominee) | 125,000                 | 25,000                           |
| (c) Les Davis (or nominee)    | 250,000                 | 50,000                           |

- (c) it may be perceived that a financial benefit is being given to the Directors referred to above due to the fact that the issue price of the shares are less than the prevailing market price (based on the price of shares at the date of this Notice), although the proposed issue to Directors is on identical terms to those made to other independent third parties;

The issue price per Share to be issued under Agenda 3 is 20 cents per Share. The value of the Shares, based on the market price of Shares prior to the date of the placement announcement to the ASX, calculated according to the five day volume weighted average price of shares on days on which trades actually last occurred is equal to 19.9 cents per Share.

In the last 12 months, the highest price for ordinary fully paid shares in the company trading on ASX was 32.0 cents which occurred on 23 May 2018. The lowest price was 12.0 cents which occurred on 13 December 2018. On 1 May 2019, being the day prior to the announcement of the Placement the closing price was 20.5 cents.

- (d) Mr Chapman does not wish to make a recommendation to Shareholders in respect of resolution 3(a) to Agenda Item 3 because he has a material interest in the outcome of the resolution. However, he recommends that Shareholders vote in favour of resolutions 3(b) and 3(c) as he believes the increased shareholding of the Directors will provide further incentive to enhance the future value of the Company for all Shareholders.

Mr Solly does not wish to make a recommendation to Shareholders in respect of resolution 3(b) to Agenda Item 3 because he has a material interest in the outcome of the resolution. However, he recommends that Shareholders vote in favour of resolutions 3(a) and 3(c) as he believes the increased shareholding of the Directors will provide further incentive to enhance the future value of the Company for all Shareholders.

## **EXPLANATORY STATEMENT (CONTINUED)**

### **3. Participation in Placement by Directors – Resolutions (a), (b) and (c) (Continued)**

Mr Davis does not wish to make a recommendation to Shareholders in respect of resolution 3(c) to Agenda Item 3 because he has a material interest in the outcome of the resolution. However, he recommends that Shareholders vote in favour of resolutions 3(a) and 3(b) as he believes the increased shareholding of the Directors will provide further incentive to enhance the future value of the Company for all Shareholders.

Mr Hewlett recommends that Shareholders vote in favour of resolutions 3(a), 3(b) and 3(c) as he believes the increased shareholding of the Directors will provide further incentive to enhance the future value of the Company for all Shareholders.

#### ***Remuneration of the Directors***

The total remuneration paid to the Directors for the financial year to 30 April 2019 (10 month period) is as follows:

| <b>Director</b>              | <b>Salaries and Fees<br/>\$</b> | <b>Superannuation<br/>\$</b> | <b>Value of Share Based Remuneration</b> | <b>Total<br/>\$</b> |
|------------------------------|---------------------------------|------------------------------|------------------------------------------|---------------------|
| Paul Chapman <sup>1, 4</sup> | 45,662                          | 4,338                        | Nil                                      | 50,000              |
| Gareth Solly <sup>2</sup>    | 183,333                         | 17,417                       | Nil                                      | 200,750             |
| Les Davis <sup>3</sup>       | 30,441                          | 2,892                        | Nil                                      | 33,333              |

<sup>1</sup> Non-Executive Chairman fees are \$60,000 per annum inclusive of superannuation.

<sup>2</sup> Managing Director executive services agreement is \$220,000 per annum exclusive of superannuation.

<sup>3</sup> Non-Executive Director fees are \$40,000 per annum inclusive of superannuation.

<sup>4</sup> In addition to director remuneration payable, during the year to date the Company has incurred amounts of \$23,455 for office rent and \$55,808 for administration services from related parties of Mr Chapman.

#### ***Securities Held by the Directors***

As at the date of this Notice, the Directors have interests in the securities of the Company as set out below:

| <b>Director</b> | <b>Shares</b> | <b>Options Exercisable at 20 Cents Expiring 17 January 2023</b> |
|-----------------|---------------|-----------------------------------------------------------------|
| Paul Chapman    | 3,666,502     | 2,880,001                                                       |
| Gareth Solly    | 1,200,000     | 1,200,000                                                       |
| Les Davis       | 2,750,000     | 2,400,000                                                       |

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## EXPLANATORY STATEMENT (CONTINUED)

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### 3. Participation in Placement by Directors – Resolutions (a), (b) and (c) (Continued)

#### ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company (which includes a Director).

If the resolutions (a), (b) and (c) that are the subject of Agenda Item 3 are passed, the Related Parties may be issued shares under the Placement. Accordingly, approval for the issue of securities to the Related Parties of the Company is required pursuant to ASX Listing Rule 10.11.

Separate approval pursuant to ASX Listing Rule 7.1 is not required in order to issue shares to the Directors as approval is being obtained under ASX Listing Rule 10.11.

#### Technical Information Required by ASX Listing Rule 10.11

ASX Listing Rule 10.13 sets out a number of matters which must be included in a Notice of General Meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Agenda Item 3:

- (a) the number of shares to be issued to Related Parties (or their nominees) is as follows:

|              |                                         |
|--------------|-----------------------------------------|
| Paul Chapman | 550,000 ordinary fully paid shares;     |
| Gareth Solly | 125,000 ordinary fully paid shares; and |
| Les Davis    | 250,000 ordinary fully paid shares;     |
- (b) the shares will be issued no later than one month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on the same date;
- (c) ordinary shares will be issued at a price of 20 cents per share and will rank equally with existing issued ordinary shares from the date of issue; and
- (d) the funds raised from the Placement are to be used to advance exploration programs across the Bulong Gold Project and provide working capital.

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass the resolutions the subject of Agenda Item 3.

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## EXPLANATORY STATEMENT (CONTINUED)

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### 4 Approval of the Grant of Options to Directors and Related Parties

Agenda items 4, 5 and 6 seek Shareholder approval to allow the Company to issue 500,000 Options to Mr Gareth Solly, Managing Director (or his nominee), 250,000 Options to Mr Les Davis, one of the Non-Executive Directors of the Company, (or his nominee) and 100,000 Options to Mrs Tracey Chapman, an employee of the Company and spouse of Mr Paul Chapman who is the Non-Executive Chairman of the Company (or her nominee).

The number of Incentive Options to be granted to each of the Participating Directors has been determined based upon a consideration of:

- i. the remuneration / fees of the Participating Directors;
- ii. the Directors' wish to ensure that the remuneration / fees offered is competitive with market standards. The Directors have considered the proposed number of Incentive Options to be granted will ensure that the Participating Directors' overall remuneration / fees is in line with market standards; and
- iii. incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise.

#### ASX Listing Rule 10.11 and Corporations Act Chapter 2E

ASX Listing Rule 10.11 provides that a Company must not issue equity securities (including options) to a related party of the company, such as a director, without the Company obtaining its Shareholders approval. If Shareholder approval is given under ASX Listing Rule 10.11, ASX Listing Rule 7.2, Exception 14 provides that approval is not required under ASX Listing Rule 7.1.

The grant of Options to Mr Solly, Mr Davis and Mrs Chapman, and the potential allotment and issue of Shares pursuant to the same will constitute the giving of a financial benefit to a related party of the Company, for which Shareholder approval is usually required pursuant to Section 208 of the Corporations Act.

There are various exceptions to the requirement for Shareholder approval. This includes, in accordance with Section 211 of the Corporations Act, where the benefit is remuneration to a related party as an officer or employee of the Company, and to give the remuneration would be reasonable given:

- the circumstances of the Company in giving the remuneration; and
- the related party's circumstances (including the responsibilities involved in the office or employment).

The Board is of the view that the exception in Section 211 of the Corporations Act is relevant to the financial benefits to be granted to Mr Solly, Mr Davis and Mrs Chapman under their engagement as Officers and Employees of the Company. Further, the Board believes that the financial benefits available to Mr Solly, Mr Davis and Mrs Chapman pursuant to the proposed grant of Options are commensurate with the responsibilities and performance levels expected of them.

Accordingly, the Company is not seeking the approval of Shareholders under Section 208 of the Corporations Act.

The following information is provided to Shareholders to allow them to assess the proposed resolution:

**(a) The related party to whom the proposed resolution would permit the financial benefit to be given.**

Subject to Shareholder approval, the Incentive Options will be granted to Mr Gareth Solly, Managing Director, Mr Les Davis, Non-Executive Director and Mrs Tracey Chapman, employee and related party, or their respective nominees.

## **EXPLANATORY STATEMENT (CONTINUED)**

### **4 Approval of the Grant of Options to Directors and Related Parties (Continued)**

#### **(b) Nature of the Financial Benefit**

The proposed financial benefit to be given is the grant of 500,000 unlisted options to Mr Solly, 250,000 unlisted options to Mr Davis and 100,000 unlisted options to Mrs Chapman, for no consideration, to subscribe for fully paid ordinary shares in the capital of the company.

The exercise price and expiry date of the Incentive Options are as follows:

| <b>Director or Related Party</b> | <b>Number of Options</b> | <b>Exercise Price</b>                                                           | <b>Expiry Date</b>                               |
|----------------------------------|--------------------------|---------------------------------------------------------------------------------|--------------------------------------------------|
| Gareth Solly                     | 500,000                  | 150% of the market closing Share price on the day prior to grant of the Options | Four years from the date of grant of the Options |
| Les Davis                        | 250,000                  |                                                                                 |                                                  |
| Tracey Chapman                   | 100,000                  |                                                                                 |                                                  |

The Incentive Options will have an expiry dates as disclosed in the table above and will be issued in accordance with terms and conditions as set out in Schedule 1 of this Explanatory Statement.

The Directors of the Company consider the indicative theoretical value attributable to the Incentive Options at a valuation date of 8 May 2019 to be as follows, notwithstanding that the Incentive Options will not be issued until after 25 June 2019 being the date of the General Meeting of the Shareholders of the company.

| <b>Exercise Price (cents)</b> | <b>Expiry Date</b> | <b>Theoretical Value (cents)</b> |
|-------------------------------|--------------------|----------------------------------|
| 31                            | 7 May 2023         | 10.3                             |

The Black and Scholes option valuation methodology was used as a basis for the calculations using the following assumptions:

- the share price of a fully paid Share as at the valuation date of 8 May 2019 was \$0.209;
- the risk free interest rate used was 1.39% (based on the five year Reserve Bank treasury bond rates respectively as at 8 May 2019); and
- a volatility factor of 78.3% was used to value the options as determined using the daily closing share prices for the prior 12 months.

Based on the above assumptions, the value of the 850,000 Incentive Options using the indicative values attributed is as follows:

| <b>Director or Related Party</b> | <b>Theoretical Value per Option (cents)</b> | <b>Number of Options Issued</b> | <b>Total Value (\$)</b> |
|----------------------------------|---------------------------------------------|---------------------------------|-------------------------|
| Gareth Solly                     | 10.3                                        | 500,000                         | 51,500                  |
| Les Davis                        | 10.3                                        | 250,000                         | 25,750                  |
| Tracey Chapman                   | 10.3                                        | 100,000                         | 10,300                  |

Any change in the variables applied in the Black and Scholes calculation between the date of the valuation and the date the Incentive Options are granted would have an impact on their value.

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## EXPLANATORY STATEMENT (CONTINUED)

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### 4. Approval of the Grant of Options to Directors and Related Parties (Continued)

#### (c) Directors Recommendation

Messrs Chapman, Davis and Hewlett (who have no interest in the outcome of Agenda Item 4 recommend that Shareholders vote in favour of Agenda Item 4 as they believe the issue of the Incentive Options to Mr Solly (or his nominee) is in the best interests of the Company because the Incentive Options provide Mr Solly with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain Mr Solly's professional services at reasonable market rates.

Mr Solly declines to make a recommendation on Agenda Item 4 because he has a material personal interest in the outcome of the Resolution, on the basis that he (or his nominee) is to be granted Incentive Options should the Resolution be passed.

Messrs Chapman, Solly and Hewlett (who have no interest in the outcome of Agenda Item 5 recommend that Shareholders vote in favour of Agenda Item 5 as they believe the issue of the Incentive Options to Mr Davis is in the best interests of the Company because the Incentive Options provide Mr Davis with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain Mr Davis' professional services at reasonable market rates.

Mr Davis declines to make a recommendation on Agenda Item 5 because he has a material personal interest in the outcome of the Resolution, on the basis that he (or his nominee) is to be granted Incentive Options should the Resolution be passed.

Messrs Solly, Davis and Hewlett (who have no interest in the outcome of Agenda Item 6 recommend that Shareholders vote in favour of Agenda Item 6 as they believe the issue of the Incentive Options to Mrs Chapman is in the best interests of the Company because the Incentive Options provide Mrs Chapman with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain Mrs Chapman's professional services at reasonable market rates.

Mr Chapman declines to make a recommendation on Agenda Item 6 because he has a material personal interest in the outcome of the Resolution, on the basis that his related party (or his nominee) is to be granted Incentive Options should the Resolution be passed.

#### (d) Directors Interest

Mr Solly has a personal interest in the outcome of the resolution the subject of Agenda Item 4.

Mr Davis has a personal interest in the outcome of the resolution the subject of Agenda Item 5.

Mr Chapman has a personal interest in the outcome of the resolution the subject of Agenda Item 6.

Mr Hewlett does not have a personal interest in the outcome of the resolutions.

#### (e) Terms and Conditions of Options

The terms and conditions of the Incentive Options proposed to be granted to the Participating Directors are included at Schedule 1.

The Incentive Options will also have the key terms, as set out in Section 4(b) above.

## **EXPLANATORY STATEMENT (CONTINUED)**

### **4. Approval of the Grant of Options to Directors and Related Parties (Continued)**

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

The Incentive Options form part of the Company's long term incentive for employees and are to be granted in addition to the total fixed remuneration/fees set out below. The exercise price of the Incentive Options is linked to improved share price performance. Importantly, this provides ongoing incentive to increase shareholder value over time and the exercise price reflects levels in excess of the current market price of the Company's Shares.

Exercise of the Incentive Options is allowable immediately after issue, but only likely to occur if there is sustained upward movement in the Company's Share price.

The number of Incentive Options to be issued to Mr Solly, Mr Davis and Mrs Chapman has been determined based on the reasons outlined in the director's recommendation to shareholders at Item (c). The number of Incentive Options has also been determined having regard to less tangible issues such as alignment of interests to the Company.

The Incentive Options shall be granted free to Mr Solly, Mr Davis and Mrs Chapman (or their respective nominees) and will be issued within one month of the date of the meeting.

If the Incentive Options proposed to be granted to Mr Solly, Mr Davis and Mrs Chapman (or their nominee) under Agenda Items 4, 5 and 6 are exercised, the Company's issued Share capital would increase by a maximum of 850,000 Shares to a total of issued Share capital of 69,685,002 Shares (assuming no other Shares are issued or outstanding Options are exercised), and will represent a maximum of approximately 1.2% of the total issued capital of the Company on a fully diluted basis. The maximum dilution stated is calculated based on all of the Incentive Options being exercised by payment of the exercise price in full.

As at 20 May 2019 the issued capital of the Company comprised the following Shares and Options:

|            |                                    |
|------------|------------------------------------|
| 68,835,002 | <i>Ordinary fully paid shares.</i> |
|------------|------------------------------------|

| Number of Options | Exercise Price<br>(cents) | Expiry Date     |
|-------------------|---------------------------|-----------------|
| 17,460,001        | 20                        | 17 January 2023 |
| 400,000           | 22                        | 31 July 2022    |

The following table sets out Mr Solly's, Mr Davis' and Mr Chapman's (and their related parties) current interest in Shares and Options in the Company, at the date of this Notice:

| Director     | Relevant<br>Interest in<br>Shares | Relevant Interest in Options |                              |                 |
|--------------|-----------------------------------|------------------------------|------------------------------|-----------------|
|              |                                   | Number of<br>Options         | Exercise<br>Price<br>(cents) | Expiry Date     |
| Gareth Solly | 1,200,000                         | 1,200,000                    | 20                           | 17 January 2023 |
| Les Davis    | 2,750,000                         | 2,400,000                    | 20                           | 17 January 2023 |
| Paul Chapman | 3,666,502                         | 2,880,001                    | 20                           | 17 January 2023 |

## **EXPLANATORY STATEMENT (CONTINUED)**

### **4. Approval of the Grant of Options to Directors and Related Parties (Continued)**

**(f) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (Continued)**

The total remuneration paid to the Directors (and related parties) for the financial year to 30 April 2019 (10 month period) is as follows:

| <b>Director</b>              | <b>Salaries and Fees<br/>\$</b> | <b>Superannuation<br/>\$</b> | <b>Value of Share Based Remuneration</b> | <b>Total<br/>\$</b> |
|------------------------------|---------------------------------|------------------------------|------------------------------------------|---------------------|
| Paul Chapman <sup>1, 4</sup> | 45,662                          | 4,338                        | Nil                                      | 50,000              |
| Gareth Solly <sup>2</sup>    | 183,333                         | 17,417                       | Nil                                      | 200,750             |
| Les Davis <sup>3</sup>       | 30,441                          | 2,892                        | Nil                                      | 33,333              |

<sup>1</sup> Non-Executive Chairman fees are \$60,000 per annum inclusive of superannuation.

<sup>2</sup> Managing Director executive services agreement is \$220,000 per annum exclusive of superannuation.

<sup>3</sup> Non-Executive Director fees are \$40,000 per annum inclusive of superannuation.

<sup>4</sup> In addition to director remuneration payable, during the year to date the Company has incurred amounts of \$23,455 for office rent and \$55,808 for administration services from related parties of Mr Chapman.

If the market price of the Company's Shares is in excess of the exercise price of the Options it is likely that the Options will be exercised. A benefit would accrue on the exercise of the Options by the payment of the amount determined under this Notice and the sale of the Shares for an amount in excess of these amounts.

In the 12 months preceding the date of this Notice the highest and lowest market prices of the Company's Shares were as follows:

|               | <b>Date</b>      | <b>Closing Price of Company's Shares on ASX<br/>(cents)</b> |
|---------------|------------------|-------------------------------------------------------------|
| Highest price | 23 May 2018      | 32                                                          |
| Lowest Price  | 13 December 2018 | 12                                                          |

The closing market price of the Company's Shares on the trading day before the date of this Notice was:

| <b>Date</b> | <b>Closing Price of Company's Shares on ASX<br/>(cents)</b> |
|-------------|-------------------------------------------------------------|
| 17 May 2019 | 26                                                          |

All Shares issued pursuant to the exercise of Incentive Options under Agenda Items 4, 5 and 6 will rank pari passu with the existing Shares on issue.

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass the Resolutions of Agenda Items 4, 5 and 6.

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**EXPLANATORY STATEMENT (CONTINUED)**

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**4. Approval of the Grant of Options to Directors and Related Parties (Continued)**

**(f) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (Continued)**

***Information requirements pursuant to ASX Listing Rule 10.13***

In addition, the following information is provided in accordance with the notice requirements of Listing 10.13:

- (a) the Incentive Options will be granted to the Participating Directors, or their nominees, as noted in section 4(a) above;
- (b) the maximum number of Incentive Options to be granted is 850,000 Options:
  - pursuant to Agenda Item 4 up to 500,000 Incentive Options will be issued to Mr Solly or his nominee;
  - pursuant to Agenda Item 5 up to 250,000 Incentive Options will be issued to Mr Davis or his nominee; and
  - pursuant to Agenda Item 6 up to 100,000 Incentive Options will be issued to Mrs Chapman or her nominee.

Details of the terms of the Incentive Options are as noted in section 4(e) above;

- (c) the Incentive Options will be granted within 1 month after the date of the Annual General Meeting;
- (d) the Incentive Options will be granted for no consideration. As such, no funds will be raised by the grant of the Incentive Options; and
- (e) voting exclusions apply to Agenda Items 4, 5 and 6 and are set out in the Notice of General Meeting.

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## EXPLANATORY STATEMENT (CONTINUED)

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### Schedule 1 – Terms and Conditions of Options – Agenda Items 4, 5 and 6

- (a) **(Entitlement)** - Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
- (b) **(Exercise Price)** - The amount payable upon exercise of each Option.
- (c) **(Expiry Date)** - Each Option will expire at 5:00pm (WST) on the 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.
- (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 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.
- (g) **(Shares Issued on Exercise)** - Shares issued on exercise of the Options rank equally with the then issued shares of the Company.
- (h) **(Reconstruction of Capital)** - If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (i) **(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.
- (j) **(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.
- (k) **(Not Quoted)** - The Company will not apply for quotation of the Options on the ASX.
- (l) **(Transferability)** - The Options are transferable subject to any restriction or escrow arrangements imposed by the Company, the ASX or under applicable Australian securities laws.
- (m) **(Lapsing of Options)** - The options will lapse immediately and all rights in respect of the options will be lost:
  - i. if the Holder ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever (including without limitation resignation or termination for cause); or
  - ii. the Expiry Date has passed.