



Notice of Extraordinary General Meeting and Explanatory Memorandum

AusNiCo Limited ACN 122 957 322

Date of Meeting: Tuesday, 11 December 2012

Time of Meeting: 10am (Brisbane time)

Place of Meeting: HopgoodGanim

Level 7, Waterfront Place

1 Eagle Street

Brisbane QLD 4000

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of shareholders of AusNiCo Limited ACN 122 957 322 (**Company**) will be held at the offices of HopgoodGanim , Level 7, Waterfront Place, 1 Eagle Street, Brisbane, QLD on Tuesday, 11 December 2012 at 10am (Brisbane time).

Agenda

Special business

1. **Resolution 1 – Approval of Change of Scale of Activities**

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

“That, in accordance with Listing Rule 11.1 and for all other purposes, Shareholders approve

- *the acquisition by the Company of all the outstanding issued share capital of Taronga Mines Limited ACN 126 854 288 pursuant to the terms of an offer set out in the Bidder’s Statement, and*
- *the resulting significant change in the nature and scale of the Company’s activities as set out in the Explanatory Memorandum.”*

Voting exclusion statement

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

- (a) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities; and
- (b) any associate of those persons.

However, 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 the direction on the proxy form to vote as the proxy decides.

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2. Resolution 2 – Approval of Acquisition of Taronga Shares held by Interests Associated with Mr Nicholas Mather

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

“That for the purposes of Listing Rule 10.1 and for all other purposes, Shareholders approve the purchase of all the 7,173,388 shares in Taronga Mines Limited ACN 126 854 288 held by Samuel Holdings Pty Ltd, pursuant to the terms of an offer set out in the Bidder’s Statement.”

Voting exclusion statement

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

- (a) Samuel Holdings Pty Ltd; and
- (b) any associate of Samuel Holdings Pty Ltd.

However, 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 the direction on the proxy form to vote as the proxy decides.

3. Resolution 3 – Approval of Issue of Options to Interests Associated with William Ryan

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

*“That, in accordance with Listing Rule 7.1 and for all other purposes, subject to the offer made by the Company for all of the outstanding issued share capital of Taronga Mines Limited ACN 126 854 288 on the terms set out in the Bidder’s Statement being declared unconditional pursuant to its terms, the Company be authorised to issue to William Ryan, or his nominee (the **Ryan Recipient**), a total of 10,000,000 options in the Company on the terms and conditions set out in the Explanatory Memorandum.”*

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Voting exclusion statement

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

- (a) the Ryan Recipient;
- (b) 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 holder of ordinary securities, if the resolution is passed; and
- (c) any associate of those persons set out in paragraph (a) and (b) above.

However, 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 the direction on the proxy form to vote as the proxy decides.

4. Resolution 4 – Approval of Issue of Options to Interests Associated with Teunis Kwak

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

*“That, in accordance with Listing Rule 7.1 and for all other purposes, subject to the offer made by the Company for all of the outstanding issued share capital of Taronga Mines Limited ACN 126 854 288 pursuant to the terms set out in Bidder’s Statement being declared unconditional pursuant to its terms, the Company be authorised to issue to Teunis Kwak, or his nominee (the **Kwak Recipient**), a total of 5,000,000 options in the Company on the terms and conditions set out in the Explanatory Memorandum.”*

Voting exclusion statement

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

- (a) the Kwak Recipient;
- (b) 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 holder of ordinary securities, if the resolution is passed; and
- (c) any associate of those persons set out in paragraph (a) and (b) above.

However, 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 the direction on the proxy form to vote as the proxy decides.

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5. Resolution 5 – Approval of Issue of Options to YTC Resources Limited

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

“That, in accordance with Listing Rule 7.1 and for all other purposes subject to the offer made by the Company for all of the outstanding issued share capital of Taronga Mines Limited ACN 126 854 288 on the terms set out in Bidder’s Statement and that offer being declared unconditional pursuant to its terms, the Company be authorised to issue to YTC Resources Limited, a total of 27,500,000 options in the Company on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement

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

- (a) YTC Resources Limited;
- (b) 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 holder of ordinary securities, if the resolution is passed; and
- (c) any associate of those persons set out in paragraph (a) and (b) above.

However, 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 the direction on the proxy form to vote as the proxy decides.

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6. Resolution 6 – Approval of Issue of Options to Interests Associated with Nicholas Mather

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

*“That, in accordance with Listing Rule 10.11 and for all other purposes, subject to the offer made by the Company for all of the outstanding issued share capital of Taronga Mines Limited ACN 126 854 288 pursuant to the terms set out in Bidder’s Statement being declared unconditional pursuant to its terms, the Company be authorised to issue to Nicholas Mather, being a Director of the Company, or his nominee (the **Mather Recipient**), a total of 10,000,000 options in the Company on the terms and conditions set out in the Explanatory Memorandum.”*

Voting exclusion statement

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

- (a) the Mather Recipient; and
- (b) any associate of the Mather Recipient.

However, 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 the direction on the proxy form to vote as the proxy decides.

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7. Resolution 7 – Approval of Issue of Options to Interests Associated with John Bovard

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

*“That, in accordance with Listing Rule 10.11 and for all other purposes subject to the offer made by the Company for all of the outstanding issued share capital of Taronga Mines Limited ACN 126 854 288 on the terms set out in the Bidder’s Statement and that offer being declared unconditional pursuant to its terms, the Company be authorised to issue to John Bovard, being a proposed Director of the Company following the offer being declared unconditional, or his nominee (the **Bovard Recipient**), a total of 5,000,000 options in the Company on the terms and conditions set out in the Explanatory Memorandum.”*

Voting exclusion statement

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

- (a) the Bovard Recipient; and
- (b) any associate of the Bovard Recipient.

However, 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 the direction on the proxy form to vote as the proxy decides.

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8. Resolution 8 – Approval of Issue of Options to Interests Associated with Richard Willson

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

*“That, in accordance with Listing Rule 10.11 and for all other purposes subject to the offer made by the Company for all of the outstanding issued share capital of Taronga Mines Limited ACN 126 854 288 on the terms set out in the Bidder’s Statement and that offer being declared unconditional pursuant to its terms, the Company be authorised to issue to Richard Willson, being a proposed Director of the Company the offer being declared unconditional, or his nominee (the **Willson Recipient**), a total of 5,000,000 options in the Company on the terms and conditions set out in the Explanatory Memorandum.*

Voting exclusion statement

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

- (a) the Willson Recipient; and
- (b) any associate of the Willson Recipient.

However, 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 the direction on the proxy form to vote as the proxy decides.

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9. Resolution 9 – Approval of Issue of Performance Shares to Peter Williams

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

“That, in accordance with Listing Rules 6.2 and 7.1 and for all other purposes subject to:

- *the offer made by the Company for all of the outstanding issued share capital of Taronga Mines Limited ACN 126 854 288 on the terms set out in Bidder’s Statement being declared unconditional pursuant to its terms; and*
- *Shareholders at the Annual General Meeting of the Company held on 28 November 2012 having resolved to amend the Constitution of the Company to allow the issue of the Performance Shares,*

*the Company be authorised to issue of 8,919,596 performance shares to Peter Williams or his nominee (the **Williams Recipient**), on the terms set out in the Explanatory Memorandum.”*

Voting exclusion statement

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

- (a) the Williams Recipient; and
- (b) any associate of the Williams Recipient.

However, 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 the direction on the proxy form to vote as the proxy decides.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the board



Karl Schlobohm
Company Secretary
12 November 2012

1. Introduction

This Explanatory Memorandum is provided to shareholders of **AusNiCo Limited** ACN 122 957 322 (**Company**) to explain the resolutions to be put to Shareholders at the Extraordinary General Meeting to be held at the offices of HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, QLD Tuesday, 11 December 2012 at 10am (Brisbane time).

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 13.

2. The Offer

2.1 Background

As previously advised by AusNiCo in its announcement to the ASX dated 1 November 2012, AusNiCo proposes to make a takeover bid under Chapter 6 of the Corporations Act for Taronga Mines Limited ACN 122 957 322. The offer is to purchase all of the issued ordinary shares in Taronga (**Taronga Shares**) in exchange for AusNiCo Shares. Five (5) AusNiCo Shares will be offered for each Taronga Share acquired (**Offer**).

AusNiCo and Taronga entered into a Merger Implementation Deed dated 31 October 2012 pursuant to which AusNiCo agreed to make the Offer for all the Taronga Shares, subject to various conditions and the obtaining of all necessary approvals.

The Company subsequently served the Bidder's Statement for the purposes of making the Offer by way of an off-market bid pursuant to Chapter 6 of the Corporations Act.

The terms of that Offer are summarised below.

2.2 Summary of the Offer

(a) Shares

AusNiCo is offering to acquire all of the issued Taronga Shares.

Under the Offer, Taronga Shareholders who validly accept the Offer will receive five AusNiCo Shares in exchange for each of their Taronga Shares. This gives the Taronga Shares an Implied Offer Value of \$0.12 based on the 6 month VWAP of AusNiCo Shares leading up to the announcement of the Offer.

(b) Conditions of the Offer

In summary, the Offer is subject to, amongst other things, the following conditions:

- AusNiCo obtains a relevant interest in at least 90% of the Taronga Shares;
- AusNiCo Shareholders approving the Resolutions and the special resolution to approve the change of the Constitution necessary to allow the Company to issue performance shares to be put to Shareholders at the AGM;
- the execution by all of the relevant parties of the Option Cancellation and Replacement Deed;
- the absence of any regulatory action;
- the absence of any Prescribed Occurrence;

- the absence of any material adverse change to the business, assets, liabilities, financial or operating position, profitability or prospects of the Taronga;
- all Regulatory Approvals or consents required having been received; and
- no persons being entitled to exercise, or exercising, rights under certain agreement or instruments .

(c) Offer Timing

The Offer commences on 28 November 2012 and closes at 7.00pm on 19 December 2012, unless it is extended by AusNiCo.

2.3 Effect of the Offer on the Company's capital

If all Taronga Shareholders accept the Offer, AusNiCo will issue a maximum of 288,400,010 Shares.

In addition to Taronga Shares, Taronga has on issue, options to subscribe for shares in Taronga (**Taronga Options**). Taronga has also agreed to issue various performance shares which convert into ordinary shares on certain milestones being met (**Taronga Performance Shares**). Subject to Successful Closing of the Offer, the holders of Taronga Options (**Taronga Optionholders**) will be granted five (5) AusNiCo Options for each Taronga Option held and those persons that Taronga has agreed to issue with Taronga Performance Shares, will be granted five (5) performance shares in AusNiCo for each Taronga Performance Share agreed to be issued, subject to the conditions below.

In respect of the Taronga Options, AusNiCo has entered into the Option Cancellation and Replacement Deed with Taronga and the Taronga Optionholders, pursuant to which the Company will issue to the existing Target Optionholders, an equal number of AusNiCo Options as Target Options currently held by those Target Optionholders, subject to:

- Shareholders approving the Resolutions;
- Successful Closing of the Offer; and
- cancellation of the Taronga Options.

At present, Peter Williams is the only person which Taronga has agreed to issue with Taronga Performance Shares. Subject to:

- Shareholders approving the Resolutions; and
- Successful Closing of the Offer.

AusNiCo proposes to issue Peter Williams 8,919,596 performance shares in AusNiCo.

Following the issue of Shares pursuant to the Offer and the subsequent issue of the options and performance shares in AusNiCo, AusNiCo will have:

- (a) a maximum of 433,394,152 AusNiCo Shares on issue;
- (b) 35,100,000 AusNiCo Options on issue; and
- (c) 8,919,596 AusNiCo performance shares on issue.

2.4 Taronga

The following information about Taronga and its business has been prepared by AusNiCo derived solely from publicly available sources of information published by Taronga, and

information made available to AusNiCo by Taronga, and unless otherwise indicated below and has not been independently verified by AusNiCo. Accordingly, AusNiCo does not make any representation or warranty, express or implied as to the accuracy or completeness of this information. The information should not be considered comprehensive.

Taronga has been focussed on the exploration and development of a portfolio of tin exploration projects in New South Wales. Taronga's mining interests are summarised in the table below (the **Taronga Mining Tenements**):

Tenement	Location	Taronga's Interest
EL 7348	Approximately 7.98 kms north west from Emmaville, News South Wales	100 % held by Taronga Mines Limited
EL 6839	Approximately 5.72 kms north west from Emmaville, News South Wales	100 % held by Ten Star Mining Pty Ltd*
EL7800	Approximately 0.41 kms south south east of Torrington, News South Wales	100 % held by Taronga Mines Limited
EL7801	Approximately 4.89 kms south south west from Emmaville, News South Wales	100 % held by Taronga Mines Limited

*Tenstar Mining Pty Ltd is a wholly owned subsidiary of Taronga Mines Limited.

Taronga acquired the Taronga Tin project in 2008. Following Taronga's evaluation of the project, it has discovered that it may be practical to mine the Taronga deposit at higher average grades than originally envisaged by the Newmont Joint Venture (which relinquished the project in or around 1994), and that in addition potential exists for higher grade mineralisation beneath the existing deposit discovered by the Newmont Joint Venture. With modern techniques likely to provide improved metal recoveries and the recent strong improvement in the tin price to record highs, the Taronga Tin Project, notwithstanding its low grade, has the potential to rank high in its size and scope on a world-wide basis.

During the last quarter of 2010 Taronga reached an agreement with listed explorer, YTC Resources Limited (**YTC**) to acquire total ownership of the three Torrington Exploration Licences and the Pound Flat Exploration Licence adjacent to and nearby to the Taronga Tin Project, known as the Torrington and Pound Flat Projects. Taronga was granted new Exploration Licences (numbered EL 7800 and EL 7801) over the same area. Taronga believes these Exploration Licences have real potential to host repetitions of the Taronga deposit, as well as having potential to host smaller, higher grade tin deposits.

Apart from the exploration of the area covered by the Taronga Mining Tenements, Taronga does not currently have any operations.

2.5 Further Information

Further information about Taronga, including Taronga's Mining Tenements is included in section 6 of the Independent Expert's Report. You should read the Independent Expert's Report in full before making a decision in relation to the Resolutions.

Additional details about the Offer and Taronga may also be found in the Bidder's Statement, which has been lodged with ASIC and the ASX and is available on AusNiCo's website www.ausnico.com.au.

3. Rationale

The rationale for the Offer and related transactions is as follows:

- (a) Acquiring an advanced-stage project, in the Taronga tin project, that can be brought into the development phase following the completion of a scoping study in 2013.
- (b) Exposure to a new suite of commodities including tin.
- (c) Exploration upside from an additional 368km² of exploration tenements prospective for tin, tungsten, silver and copper.
- (d) Continued exposure to AusNiCo's existing nickel sulphide projects in Queensland and Tasmania.
- (e) Strong board and management team – the Merged Group will have a highly respected board and management team.

4. Management and Profile of the Merged Group

4.1 Directors

Following Successful Closing of the Offer:

- (a) the Bidder Board will be comprised of the following persons:
 - (1) Richard Willson;
 - (2) John Bovard;
 - (3) Brian Moller;
 - (4) Ben Harrison;
 - (5) Nicholas Mather; and
 - (6) John Downie.
- (b) Peter Williams will be appointed as the Chief Executive Officer of the Bidder under the terms of the CEO Consulting Agreement, effective on and from the closing date of the Offer.

5. Risks

5.1 Background

Upon the Successful Closing of the Offer, the Company will acquire a direct interest in Taronga and an indirect interest in its assets and those of its subsidiaries, including the Taronga Mining Tenements. As a result Shareholders will become indirectly exposed to the risks outlined below which are associated with having those interests and the Merged Group's proposed strategy, as well as the general economic, share market and industry risks to which they are already exposed.

Additional risks and uncertainties not currently known to the Company may also have a material adverse effect on Taronga, its assets, and the Merged Group, and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Taronga, its assets or the Merged Group.

5.2 Risk factors that pertain to the general economy and stock market (being risks to which an investment in the Shares is already subject to some degree):

- (a) The future value of the Company's listed securities may fluctuate in accordance with movements in the foreign currency exchange rates and often unpredictable influences on the stock market generally, and particularly those influences arising or concerning the commodity tin, being the commodity which is the subject of Taronga's exploration efforts;
- (b) The market price of the Company's Shares can also be expected to rise and fall as a result of factors specifically affecting the Australian mining and resources sector and tin exploration companies in particular, including for example the price of tin; and
- (c) Changes in relevant taxation laws, interest rates, other legal, legislative and administrative regimes, and government policies in Australia, may have an adverse affect on the assets, operations and ultimately the financial performance of both the Company and the entities in which the Company invests.

5.3 Risk factors specific to the Company

The following are risk factors specific to the Company arising from the acquisition of Taronga:

- (a) There is no assurance that the Company will be able to obtain sufficient financing for ongoing tin exploration activities when required.
- (b) The Company's development of the tin and subsequent sale of material from the projects will be dependent on a number of key contractual arrangements including relevant constructions and off-take agreements.

Further, a subsidiary of Taronga, New England Tin NL (**NET**) entered an agreement with Gordon Arthur Shepherdley (**Shepherdley**) on 23 August 1995 as varied on 22 September 1995 (the **Shepherdley Agreement**). This agreement appears to relate to a prior Exploration Licence 26 – Inverell, which has long expired. There have from time to time been claims made by Shepherdly regarding the subject matter of the Shepherdy Agreement.

However, the directors of Taronga have apparently formed the view that whatever the nature and extent of any contractual or other rights and obligations were or may have been under the Shepherdley Agreement or arising there from, the passage of time since the expiry of the prior tenement and other conduct and circumstances may have resulted in the loss or impairment of any enforceable rights or obligations of the contracting parties thereunder.

- (c) The tenements held by Taronga and its subsidiary Ten Star Mining Pty Ltd carry with them various obligations with regards to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.
- (d) Tenements held by Taronga and its subsidiary Ten Star Mining Pty Ltd may be affected by native title claims and procedures.
- (e) The Company's and the Merged Group's potential future earnings could be closely related to the price of tin.
- (f) Legislative and regulatory requirements may affect the timing and scope of AusNiCo or the Merged Group's operations and changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of AusNiCo.

Other risks specific to the Company which will arise from Taronga, its subsidiaries the continuation of their current activities include exploration and evaluation risk, operational risk, industrial risk, environmental risk, exploration expenditure risk and risks related to the sustainability of growth and margins, insurance, government policy and management actions.

5.4 Risk Factors that arise from the Offer

- (a) The final level of ownership acquired by the Company may be less than 100% which could have an impact on the Company's ability to fully incorporate Taronga's exploration activities into its own portfolio of activities and to fully extract the benefits of Taronga's activities.
- (b) Under the AusNiCo Offer, the Company will offer a large number of its Shares to Taronga Shareholders. If current Taronga shareholders or current AusNiCo Shareholders do not wish to hold Shares in the Merged Group and seek to sell their Shares, this may have a material adverse effect on the Merged Group and the price of AusNiCo Shares.
- (c) Integrating two companies such as the Company and Taronga may produce some risks, including integrating management, information systems and work practices. The Company intends to continue current business strategy and operations after completion of the Offer.
- (d) Whilst the Directors of the Company expect to realise certain synergy benefits from the merger, achievement of these synergies is not certain. The synergies may not be realised to their full extent or may be realised over a longer period of time than the Directors of AusNiCo expect. This could have a material adverse impact on the financial performance of AusNiCo.
- (e) Changes to the carrying amounts of intangible assets of Taronga could have a material adverse impact on the financial performance of AusNiCo.
- (f) Taronga and its wholly owned subsidiary, Ten Star Mining Pty Ltd, between them hold four Exploration Licences.

Of these, three - ELs 6839, 7800 and 7801 – contain a requirement that the NSW State Minister responsible for administering the *Mining Act 1992* (NSW) provide his prior written approval before:

- any change in effective control of the licence-holder; or
- any foreign acquisition of substantial control in the licence-holder.

The terms “change in effective control” and “foreign acquisition of substantial control” are defined for these purposes in the Exploration Licences.

The Company understands Taronga has sought confirmation from the Minister that a Successful Closing of the Offer would not require the Minister’s prior written consent, on the basis that there would be no change in effective control of the licence-holder.

If the Ministers’ consent were required, then failure to obtain the same would be a breach of the Exploration Licences. If the consent of the Minister were required, while neither the Company nor Taronga can guarantee that the Minister would give his prior written consent before completion of the Offer, the respective Boards know of no reason why the Minister would not give his consent to the merger.

6. Resolution 1 – Approval of Change of Scale of Activities

6.1 Background

Resolution 1 seeks approval from Shareholders for a change in the scale of the activities of the Company.

6.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must obtain the approval of Shareholders and must comply with any requirements of ASX in relation to the Notice of Meeting.

The ASX has, by letter dated 2 October 2012, informed the Company Successful Closing of the Offer will require the Company to obtain Shareholder approval for the change in the scale of activities resulting from the transaction. The ASX further noted that an independent expert’s report would need to be prepared (see the Independent Expert’s Report attached as Annexure A) and confirmed that the Company would not be required under Listing Rule 11.1.3 to re-comply with Chapters 1 and 2 of the Listing Rules.

Following the Successful Closing of the Offer, the operations of the Company will be significantly larger than the Company is at present. As a result of the Successful Closing of the Offer, the Company’s expenditure profile, the geographic spread of its assets and activities and the size of its share capital will all change considerably. To date, the Company’s exploration efforts have been primarily focused on nickel, gold and copper. However, Taronga’s activities involve exploration for tin. Given that the Company will acquire the Taronga Mining Tenements as a result of the Successful Closing of the Offer, the Company’s exploration portfolio will expand and be diversified.

To this end, the Successful Closing of the Offer will result in a change in the scale of the Company’s activities. For this reason, the Company is seeking Shareholder approval for the Company for the Offer under Listing Rule 11.1.

The Directors unanimously recommend that you vote in favour of this Resolution.

7. Resolution 2 – Approval of Acquisition of Taronga Shares held by Interests Associated with Mr Nicholas Mather

7.1 Listing Rule 10.1

Samuel Holdings Pty Ltd (an entity associated with Nicholas Mather) (**Samuel Holdings**) holds 7,173,388 Taronga Shares which amounts to a percentage holding of 12.44% of the issued share capital in Taronga.

Resolution 2 seeks shareholder approval pursuant to ASX Listing Rule 10.1 for the acquisition from Samuel Holdings of Taronga Shares which may have a value that exceeds 5% of the value of AusNiCo's equity interests (as determined by reference to its 30 June 2012 annual report).

ASX Listing Rule 10.1 provides that a company must not, subject to certain exceptions, acquire a substantial asset from, or dispose of a substantial asset to, a related party or the related party's associates without the approval of holders of the company's ordinary securities. Samuel Holdings is associated with Nicholas Mather (a Director). Pursuant to section 228(2) of the Corporations Act, a director of a public company is a related party of the public company. Accordingly, for the purposes of ASX Listing Rule 10.1, AusNiCo seeks Shareholder approval for the acquisition of the Taronga Shares held by Samuel Holdings under the Offer.

Pursuant to, and in accordance with, ASX Listing Rule 10.10, an independent expert's report on the proposed acquisition of Taronga Shares from Samuel Holdings Pty Ltd, prepared by BDO Corporate Finance (QLD) Limited (**BDO**) is provided to Shareholders (**Independent Expert's Report**): see the Independent Expert's Report attached as Annexure A.

7.2 Disadvantages and risks

The key potential disadvantages and risks associated with Resolution 2 and the Offer and Capital Raising proceeding are that AusNiCo will be exposed to the exploration and mining risks described in section 5 above. Further information about the disadvantages and risks is set in sections 11.2 and 11.3 of the Independent Expert's Report.

7.3 Consequences of Resolution 2 not being approved

The Offer is subject to a 90% minimum acceptance condition and a condition that AusNiCo obtains all shareholder approvals necessary to implement the Offer. Given that Samuel Holdings currently holds 12.44% of Taronga Shares, if Shareholders do not approve Resolution 2, the above bid conditions will not be satisfied and consequently the Offer may not proceed.

7.4 Directors' assessment

In the Independent Expert's Report, BDO has concluded that the Offer is fair and reasonable and that therefore the acquisition of Taronga Shares from Samuel Holdings on the terms proposed is fair and reasonable to the other Shareholders.

The Directors (other than Nicholas Mather, who is interested in Resolution 2) are of the opinion that the potential disadvantages and risks are substantially outweighed by the potential advantages and benefits of acquiring Samuel Holding's Taronga Shares. Accordingly, having regard to their assessment and BDO's conclusions, the Directors (other than Nicholas Mather) consider that Resolution 2 is in the best interests of Shareholders.

However, Shareholders should consider their individual circumstances and make their own determination as to how to vote on Resolution 2.

8. Resolutions 3, 4 and 5– Approval of Issue of Options to Interests Associated with William Ryan, Teunis Kwak and YTC Resources Limited

8.1 Background

In addition to the Options referred to in section 9 below, Taronga has the following Options on issue:

- (a) William Ryan has been issued 2,000,000 Taronga Options (**Ryan Options**). Mr Ryan is a director of Taronga, however, following the Successful Closing of the Offer, Mr Ryan will not be joining the board as a Director of AusNiCo.
- (b) Teunis Kwak has been issued 1,000,000 Taronga Options (**Kwak Options**). Mr Kwak is a director of Taronga, however, following the Successful Closing of the Offer, Mr Kwak will not be joining the board as a Director of AusNiCo.
- (c) YTC Resources Limited (**YTC**) has been issued with 5,500,000 Taronga Options (**YTC Options**). YTC is an ASX listed company whose principal activity is mineral exploration. YTC holds interests in gold, base metals and tin projects in New South Wales. YTC is Taronga's second largest shareholder, holding 13,640,000 Taronga Shares, amounting to a percentage holding of 23.65%.

The above Ryan Options and the Kwak Options were cancelled and reissued with shareholder approval being obtained at the extraordinary general meeting of Taronga Shareholders held on 12 June 2012.

Pursuant to the Offer, AusNico is offering to acquire only the Taronga Shares. As such, AusNiCo and Taronga have come to an agreement that the Ryan Options, the Kwak Options and the YTC Options will be cancelled and a number of options, as agreed between the parties and set out in the table below, will be issued to Mr Ryan, Mr Kwak and YTC in substitution. AusNiCo and Taronga propose to enter into a Deed of Option Cancellation and Issue with each of Mr Ryan, Mr Kwak and YTC which will facilitate the cancellation of the Ryan Options, the Kwak Options and the YTC Options respectively and the issue of the replacement options in AusNiCo to each of the parties as per the table below.

Recipient	Number of AusNiCo Options to be issued
Mr William Ryan	10,000,000 (Ryan Replacement Options)
Mr. Teunis Kwak	5,000,000 (Kwak Replacement Options)
YTC Resources Limited	27,500,000 (YTC Replacement Options)

The issue of the Ryan Replacement Options is conditional upon:

- (a) the Successful Closing of the Offer; and
- (b) the cancellation of the Ryan Options.

The issue of the Kwak Replacement Options is conditional upon:

- (a) the Successful Closing of the Offer; and
- (b) the cancellation of the Kwak Options.

The issue of the YTC Replacement Options is conditional upon:

- (a) the Successful Closing of the Offer; and
- (b) the cancellation of the YTC Options.

8.2 Options terms

The Ryan Replacement Options, the Kwak Replacement Options and the YTC Replacement Options will be issued on the following terms:

- (a) an exercise price of \$0.04 per replacement option;
- (b) an expiry date of 30 June 2015;
- (c) each Ryan Replacement Option, Kwak Replacement Option and YTC Replacement Option may be exercised into one Share; and
- (d) otherwise on the terms set out in Schedule 1 to this Explanatory Memorandum.

8.3 Listing Rule 7.1

In accordance with Listing Rule 7.1, Shareholder approval is sought for the issue of the Ryan Replacement Options, the Kwak Replacement Options and the YTC Replacement Options.

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Equity securities issued with shareholder approval under Listing Rule 7.1 do not count towards the 15% limit.

If Resolutions 3, 4 and 5 are approved, the issue of the Ryan Replacement Options, the Kwak Replacement Options and the YTC Replacement Options (and any Shares issued as a result of their exercise) will not count towards the 15% limit and the Company's ability to issue further capital during the next 12 months pursuant to Listing Rule 7.1 without the need to obtain further Shareholder approval will remain unaffected (subject to the Listing Rules and the Corporations Act).

For the purposes of Listing Rule 7.3, the Company advises as follows:

- (a) For the purposes of Resolution 3:
 - (1) The maximum number of Ryan Replacement Options to be issued is 10,000,000 Options.
 - (2) There is no issue price as such for the Ryan Replacement Options, however, the Ryan Replacement Options have an exercise price of \$0.04 and have been issued as a result of the cancellation of Ryan Options.
 - (3) Issue and allotment of the Ryan Replacement Options will occur forthwith after the Successful Closing of the Offer
 - (4) The Ryan Replacement Options on issue will rank pari passu with all existing AusNiCo Options on issue.
 - (5) The Ryan Replacement Options will be issued to William Ryan.
 - (6) No funds were raised directly from the issue of the Ryan Replacement Options.

- (b) For the purposes of Resolution 4:
- (1) The maximum number of Kwak Replacement Options to be issued is 5,000,000 Options.
 - (2) There is no issue price as such for the Kwak Replacement Options, however, the Kwak Replacement Options have an exercise price of \$0.04 and have been issued as a result of the cancellation of the Kwak Options.
 - (3) Issue and allotment of the Kwak Replacement Options will occur forthwith after the Successful Closing of the Offer.
 - (4) The Kwak Replacement Options on issue will rank pari passu with all existing AusNiCo Options on issue.
 - (5) The Kwak Replacement Options will be issued to Teunis Kwak.
 - (6) No funds were raised directly from the issue of the Kwak Replacement Options.
- (c) For the purposes of Resolution 5:
- (1) The maximum number of YTC Replacement Options to be issued is 27,500,000 Options.
 - (2) There is no issue price as such for the YTC Replacement Options, however, the YTC Replacement Options have an exercise price of \$0.04 and have been issued as a result of the cancellation of YTC Options.
 - (3) Issue and allotment of the YTC Replacement Options will occur forthwith after the Successful Closing of the Offer.
 - (4) The YTC Replacement Options on issue will rank pari passu with all existing AusNiCo Options on issue.
 - (5) The YTC Replacement Options will be issued to YTC Resources Limited.
 - (6) No funds were raised directly from the issue of the YTC Replacement Options.

The Directors unanimously recommend that you vote in favour of this Resolution.

9. Resolutions 6, 7 and 8– Approval of Issue of Options to Interests Associated with Nick Mather, John Bovard and Richard Willson

9.1 Background

In addition to the Options referred to in section 8 above, Taronga also has the following Options (collectively referred to as the **Taronga Directors' Options**) on issue:

Recipient	Number of Taronga Options held
Mr. Nicholas Mather	2,000,000
Mr. John Bovard	1,000,000
Mr. Richard Willson	1,000,000

Pursuant to the Offer, AusNico is offering to acquire only the Taronga Shares. As such, AusNiCo and Taronga have come to an agreement that the Taronga Directors' Options will be cancelled and a number of options in AusNiCo, as agreed upon by the parties and set out in the table below, will be issued to the option holders of Taronga in substitution (**Replacement Directors' Options**). AusNiCo and Taronga propose to enter into one or more Deeds of Option Cancellation and Replacement with each of the holders of the Taronga Directors' Options which will facilitate the cancellation of the Taronga Directors' Options and the issue of the Replacement Options.

Recipient	Number of AusNiCo Options to be issued
Mr. Nicholas Mather	10,000,000
Mr. John Bovard	5,000,000
Mr. Richard Willson	5,000,000

The Directors are seeking shareholder approval for the issue of the Replacement Directors' Options.

The issue of the Replacement Directors' Options pursuant to Resolutions 6, 7 and 8 is conditional upon:

- (a) the Successful Closing of the Offer; and
- (b) the cancellation of the Taronga Directors' Options.

9.2 Options terms

The Replacement Directors' Options will be issued on the following terms:

- (a) an exercise price of \$0.04 per Replacement Directors' Option;
- (b) an expiry date of 30 June 2015;
- (c) each Replacement Directors' Option may be exercised into one Share; and
- (d) otherwise on the terms set out in Schedule 1 to this Explanatory Memorandum.

9.3 Listing Rule 10.11

In accordance with Listing Rule 10.11, Shareholder approval is sought for the issue of the Replacement Directors' Options.

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Nicholas Mather, being a Director of the Company, is a related party of the Company.

It is proposed that Richard Willson and John Bovard be appointed to the AusNiCo Board following the Successful Closing of the Offer. Section 228(6) of the Corporations Act provides that an entity will be a related party of a public company if the entity has reasonable grounds to believe that it is likely to become a related party at any time in the future. As Mr Willson and Mr Bovard are all proposed Directors of the Company, they are related parties of the Company.

As the issue of the Replacement Directors' Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required. In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the Company advises as follows:

Name of related party	Samuel Holdings Pty Ltd	SMG Nominees Pty Ltd ATF the Sterling Mining Group Superannuation Fund	Red Dog #1 Pty Ltd
Maximum number of Options to be issued	10,000,000	5,000,000	5,000,000
Issue Price	Nil cash consideration however the exercise price is \$0.04	Nil cash consideration however the exercise price is \$0.04	Nil cash consideration however the exercise price is \$0.04
Reason approval sought	Nicholas Mather is a director of the Company and Samuel Holdings Pty Ltd is controlled by Mr Mather	John Bovard is a proposed director of the Company and SMG Nominees is controlled by Mr Bovard	Richard Willson is a proposed director of the Company and Red Dog #1 Pty Ltd is controlled by Mr Willson
Terms of the securities	Pari passu with existing Options on issue	Pari passu with existing Options on issue	Pari passu with existing Options on issue
Intended use funds	No funds were raised directly from the issue of the Replacement Directors' Options.	No funds were raised directly from the issue of the Replacement Directors' Options.	No funds were raised directly from the issue of the Replacement Directors' Options
Date of issue	Forthwith after the Successful Closing of the Offer and in any event not later than one month after the date of the Meeting.	Forthwith after the Successful Closing of the Offer and in any event not later than one month after the date of the Meeting.	Forthwith after the Successful Closing of the Offer and in any event not later than one month after the date of the Meeting.

The terms of the Replacement Directors' Options are set out in full in Schedule 1. Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions 6, 7 and 8.

The Directors unanimously recommend that you vote in favour of Resolutions 6, 7 and 8 (with Nick Mather abstaining from voting on Resolution 6).

10. Resolution 9 – Approval of Issue of Performance Shares to Peter Williams

10.1 Background

Taronga has agreed to grant Peter Williams 1,783,919 performance shares in Taronga (**Taronga Performance Shares**). As noted above, the Offer relates only to the Taronga Shares. To this end, AusNiCo and Taronga have come to an agreement that the Taronga Performance Shares will not be issued and Mr Williams will be granted 8,919,595 performance shares in AusNiCo in substitution (that is, five (5) performance shares in AusNiCo for each Taronga Performance Share which it was agreed would be issued) (**Williams Performance Shares**). AusNiCo and Taronga propose to enter into a Performance Share Deed with Mr Williams which will facilitate the issue of the Williams Performance Shares.

At the annual general meeting of the Company to be held on 28 November 2012, a resolution will be put Shareholders to approve an amendment to the Company's Constitution to insert clauses 5A and 5B which enable the Company to issue performance shares.

Resolution 9 seeks approval for the issue of the Williams Performance Shares.

The issue of the Williams Performance Shares is conditional upon:

- (a) the Successful Closing of the Offer; and
- (b) Shareholders at the Annual General Meeting of the Company held on 28 November 2012 having resolved to amend the Constitution of the Company to allow the issue of performance shares,

10.2 Listing Rule 7.1

In accordance with Listing Rule 7.1, Shareholder approval is sought for the issue of the Williams Performance Shares.

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Equity securities issued with shareholder approval under Listing Rule 7.1 do not count towards the 15% limit.

If Resolution 9 is approved, the issue of the Williams Performance Shares (nor any ordinary Shares arising from their conversion) will not count towards the 15% limit and the Company's ability to issue further capital during the next 12 months pursuant to Listing Rule 7.1 without the need to obtain further Shareholder approval will remain unaffected (subject to the Listing Rules and the Corporations Act).

For the purposes of Listing Rule 7.3, the Company advises as follows:

- (a) The maximum number of Williams Performance Shares to be issued is 8,919,596 performance shares.
- (b) There is no issue price as such for the Williams Performance Shares, and the Williams Performance Shares will convert into ordinary Shares automatically upon certain performance criteria having been met.
- (c) Issue and allotment of the Williams Performance Shares will occur forthwith after the Successful Closing of the Offer.
- (d) The Williams Performance Shares on issue will rank pari passu with all existing performance shares on issue.
- (e) The Williams Performance Shares will be issued to Peter Williams.
- (f) No funds were raised directly from the issue of the Williams Performance Shares.

10.3 Listing Rule 6.2

Under Listing Rule 6.2, a company is only entitled to have one class of ordinary shares unless the ASX approves the terms of an additional class.

Listing Rule 6.1 states that the terms that apply to each class of shares must, in the opinion of ASX, be fair and reasonable.

The Company has sought and obtained confirmation from the ASX under Listing Rules 6.1 and 6.2 that the issue of the Williams Performance Shares, on the terms set out in Schedule 2, is, in the opinion of ASX, appropriate and equitable for the purposes of ASX Listing Rule 6.1.

The ASX has required the Company to obtain shareholder approval for the issue of those shares.

The full terms of the Williams Performance Shares are set out in Schedule 2.

The Directors unanimously recommend that you vote in favour of this Resolution.

11. Director's Recommendations and Intentions

The Directors (other than, the Directors that make no recommendation given their interest in the Resolutions, as noted above) unanimously recommend to Shareholders that they vote in favour of the Resolutions. To the extent they are permitted to vote, each of the Directors currently intends to vote all Shares held or controlled by them in favour of the Resolutions. Brian Moller, as Chairman of the Meeting, currently intends to vote all undecided proxies in favour of the Resolutions.

12. No Other Material Information

Other than as set out in the Notice of Meeting, this Explanatory Memorandum and the Independent Expert's Report, there is no other information that is known to any of the Directors which is material to the decision on how to vote on the Resolutions that has not been previously disclosed to all Shareholders.

13. Interpretation

AGM means the Annual General Meeting of AusNiCo to be held on the 28 November 2012;

AusNiCo Business means the business carried on by AusNiCo and its Subsidiaries at the date of the MID.

AusNiCo Options means the Options on issue in AusNiCo.

AusNiCo Shares means ordinary fully paid shares in the issued capital of AusNiCo.

Bidder's Statement means the bidder's statement dated [21 November 2012] prepared in accordance with section 636 of the Corporations Act for the purposes of making the Offer.

Company or **AusNiCo** means AusNiCo Limited ACN 122 957 322.

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

FATA means the *Foreign Acquisition and Takeovers Act 1975* (Cth).

Meeting means the extraordinary general meeting of Shareholders of AusNiCo to be held on 11 December 2012 at the offices of HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, QLD.

Merged Group means AusNiCo and its subsidiaries (including Taronga and Taronga's subsidiaries) which will exist on the Successful Closing of the Offer.

Merger means the merger of Taronga and AusNiCo by way of Successful Closing of the Offer.

MID means the Merger Implementation Deed entered into by AusNiCo and Taronga dated 31 October 2012.

Notice means the notice of meeting which accompanies this Explanatory Memorandum.

Offer means the offer made by AusNiCo to acquire all of the Taronga Shares from the Taronga Shareholders on terms and conditions set out in the Bidder's Statement.

Option Cancellation and Replacement Deed means the deed pursuant to which the Taronga Options are cancelled and the holders of those options are instead issued with 5 AusNiCo Options for each Taronga Option held by such holder.

Prescribed Occurrence means the occurrence of any of the following:

- (a) the party converts all or any of the shares into a larger or smaller number of shares;
- (b) the party or a Subsidiary resolves to reduce its share capital in any way;
- (c) the party or a Subsidiary:
- (d) enters into a buy-back agreement; or
- (e) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
- (f) the party or a Subsidiary issues shares (except in relation to any options disclosed in the latest Appendix 3B issued by the party to the ASX prior to the execution date of the MID), or grants an option over its shares, or agrees to make such an issue or grant such an option where such issue, grant or agreement relates (on an aggregate basis) to more than 5% of the total issued share capital in the party as at the execution date of the MID;
- (g) the party or a Subsidiary issues, or agrees to issue, convertible notes;
- (h) the party or a Subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of the party's business or property;
- (i) except in the ordinary course of its business, the party or a Subsidiary charges, or agrees to charge, the whole, or a substantial part, of the party's business or property;
- (j) the party or a Subsidiary resolves to be wound up;
- (k) a liquidator or provisional liquidator of the party or a Subsidiary is appointed;
- (l) a court makes an order for the winding up of the party or a Subsidiary;
- (m) an administrator of the party or a Subsidiary is appointed under sections 436A, 436B, and 436C of the Corporations Act;
- (n) the party or a Subsidiary executes a deed of company arrangement; or
- (o) a receiver or a receiver and manager are appointed in relation to the whole, or a substantial part, of the property of the party or a Subsidiary.

Regulatory Approvals means any approvals or consents required by law or from a Government Body, including any approvals required under the:

- (a) the Taronga Mining Tenements;
- (b) FATA;
- (c) Corporations Act;

- (d) Australian Securities and Investments Commission Act 2001 (Cth); and
- (e) Listing Rules,

as are necessary:

- (f) to permit the Offer to be lawfully made to and accepted by the Taronga Shareholders;
- (g) as a result of the Merger or AusNiCo's acquisition of the Taronga Shares;
- (h) for Taronga to continue to carry on the Taronga Business;
- (i) for AusNiCo to continue to carry on the AusNiCo Business; or
- (j) to permit the transactions contemplated by the Bidder's Statement to be completed (including full, lawful and effectual implementation of the intentions set out in the Bidder's Statement) and the transactions contemplated by this deed.

Resolutions means the resolutions to be put to Shareholders at the Meeting the subject of this Explanatory Memorandum and the Notice of Meeting to which this Explanatory Memorandum relates.

Shareholders means holders of AusNiCo Shares.

Subsidiary has the meaning given to that term in the Corporations Act.

Successful Closing of the Offer means the Offer being declared unconditional in accordance with its terms.

Taronga means Taronga Mines Limited ACN 126 854 288.

Taronga Business means the business or businesses carried on by Taronga and its Subsidiaries at the execution date of the MID.

Taronga Mining Tenements means EL 6839, EL 7348, EL7800 and EL7801.

Taronga Shares means ordinary fully paid shares in the issued capital of Taronga.

Taronga Shareholders means holders of Taronga Shares.

Taronga Options means options to purchase ordinary fully paid shares in Taronga.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Karl Schlobohm (Company Secretary):

Address: Level 27, 111 Eagle Street Brisbane QLD 4000

Phone: (07) 3303-0661

Schedule 1 – Replacement Option Terms

NOTE: the term 'Replacement Options' includes the Ryan Replacement Options, the Kwak Replacement Options, the YTC Replacement Options and the Replacement Directors' Options.

- The Replacement Options are to subscribe for fully paid Bidder Shares.
- The Replacement Options are to be issued for no consideration.
- The Replacement Options will expire on 30 June 2015 (**Expiry Date**) unless earlier exercised.
- The exercise price of each Replacement Option is \$0.04 (**Exercise Price**).
- Bidder Shares issued on exercise of the Replacement Options will rank equally with all existing Bidder Shares from the date of issue.
- The Replacement Options shall be unlisted but shall be transferable.
- The holders of Replacement Options (**Replacement Optionholders**) do not have any right to participate in new issues of securities in the Bidder made to the Bidder Shareholders generally. The Bidder will, where required pursuant to the Listing Rules, provide Replacement Optionholders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Bidder Shareholders generally) to exercise the Replacement Options, in accordance with the requirements of the Listing Rules.
- Replacement Optionholders do not participate in dividends or in bonus issues unless the Replacement Options are exercised and the resultant Bidder Shares are issued prior to the record date to determine entitlements to the dividend or bonus issue.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Bidder:
 - the number of Replacement Options, the exercise price, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, (as if the Bidder were listed on ASX at the relevant time) but with the intention that such reconstruction will not result in any benefits being conferred on the Replacement Optionholders which are not conferred on Bidder Shareholders; and
 - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of the Bidder Shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Replacement Options will remain unchanged.
- If there is a bonus issue to the Bidder Shareholders, the number of Bidder Shares over which a Replacement Option is exercisable will be increased by the number of Bidder Shares which the Replacement Optionholder would have received if the Replacement Options had been exercised before the record date for the bonus issue.
- If, during the life of any Replacement Option, and the Bidder is listed on ASX there is a pro-rata issue (except a bonus issue), the Exercise Price of a Replacement Options may be reduced according to the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

where

O^1 = the new exercise price of the Replacement Option.

- O = the old exercise price of the Replacement Option.
- E = the number of underlying securities into which one Replacement Option is exercisable.
- P = the average market price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex-right date or the ex-entitlements date.
- S = the subscription price for a security under the pro-rata issue.
- D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue).
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
- If, during the life of any Replacement Option there is a pro-rata issue (except a bonus issue), the Exercise Price of a Replacement Option may be reduced by the board of the Bidder in a manner which the board of directors of the Bidder considers is fair and equitable to both the Replacement Optionholders and the Bidder Shareholders at the relevant time.
 - The terms of the Replacement Options shall only be changed if Replacement Optionholders (whose votes are not to be disregarded) of Bidder Shares approve of such a change. However, the terms of the Replacement Options shall not be changed to reduce the Exercise Price, increase the number of Replacement Options or change any period for exercise of the Replacement Options.

Explanatory Memorandum

Schedule 2 – Performance Share Terms

Rights attaching to Bidder Performance Shares

The Bidder Performance Shares:

- do not have any voting rights at any general meeting of the Bidder;
- entitle the holder to receive notices of all general meetings and financial reports and accounts that are circulated;
- entitle the holder to attend all general meetings of the Bidder;
- do not have any dividend entitlements;
- are only capable of being disposed of by the holder upon achievement of the corresponding Bidder Performance Share Milestone (as set out in the table below) and then only in respect of those Bidder Performance Shares that are not classified by ASX as restricted securities;
- on winding up entitle the holder to participate in surplus profits or assets of the Bidder only to the extent of \$.0000001 per Bidder Performance Share;
- have no entitlement to participate in new issues offered to ordinary shareholders of the Bidder; and
- will not be quoted on ASX.

Upon conversion into Bidder Shares, the resulting Bidder Shares may be subject to classification as restricted securities by ASX.

The terms of the Bidder Performance Shares may be amended as necessary by the board of directors of the Bidder in order to comply with the Listing Rules or any directions of ASX regarding the terms of the Bidder Performance Shares.

Conversion of the Bidder Performance Shares

- The Bidder Performance Shares are converted into ordinary shares upon achievement of the corresponding Bidder Performance Share Milestone, save that if any escrow restrictions are imposed by the ASX in respect of the Bidder Performance Shares (the subject of the corresponding Bidder Performance Share Milestone) and such restrictions continue to apply after the date of the satisfaction of the corresponding Bidder Performance Share Milestone, then conversion of such shares will occur immediately following the release of such escrow conditions.
- One (1) Bidder Performance Share converts to one (1) Bidder Share.
- Upon conversion, the Bidder Shares are to be listed on the ASX subject to applicable escrow restrictions.
- The Bidder Shares issued upon conversion of Bidder Performance Shares will rank equally with other Bidder Shares on issue and will:
 - participate with all other Bidder Shares on issue in the capital of the Bidder for dividends as from the date of issue; and
 - be entitled to vote at all general meetings of the Bidder at all times.
- Unless the board of directors of the Bidder otherwise agrees, in the event that the corresponding Bidder Performance Share Milestones are not achieved by the third anniversary

Notice of Extraordinary General Meeting and Explanatory Memorandum

from the date of issue, then the 8,919,595 Bidder Performance Shares that have not been converted shall together convert into one (1) Bidder Share.

- Notwithstanding the above the Bidder Performance Shares will convert into ordinary shares in the event of a takeover recommended by the Bidders' directors.

Performance Milestones

No	Milestone	Number of Bidder Performance Shares subject to Conversion
1	12 months employment with the Bidder after the Closing Date as defined in this deed.	2,973,200
2	Finalisation of a pre-feasibility study in respect of the Tenements held by the Target as at the Execution Date.	5,946,395

Notice of Extraordinary General Meeting and Explanatory Memorandum

Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001* (Cth).

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the address listed below** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

AusNiCo Limited (Attention: Company Secretary)

Street Address: Level 27, 111 Eagle Street, Brisbane, QLD, 4000

Postal Address: GPO Box 5261, Brisbane, Queensland 4001

Telephone Phone: +61 7 3303 0611

Facsimile No: +61 7 3303 0681

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm 9 December 2012 (Brisbane Time). Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy 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 security holders should sign.

Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, 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 2001*) does not have a Company Secretary, a 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.

Proxy Form

I / We _____

of: _____

being shareholder(s) of AusNiCo Limited ("Company")

hereby appoint: _____

of: _____

of failing him/her: _____

of: _____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the extraordinary general meeting of the Company to be held at the offices of HopgoodGanim , Level 7, Waterfront Place, 1 Eagle Street, Brisbane, QLD on 11 December 2012 at 10am and at any adjournment thereof in respect of all of my/our shares in the Company unless otherwise specified below.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below.

If the Chairman is appointed as your proxy, or may be appointed by default, and if you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in this box:

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he/she has an interest in the outcome of the resolution and votes cast by him/her other than as proxy holder will be disregarded because of that interest. The Chairman advises that it is his/her intention to vote in favour of all resolutions in respect of any undirected proxies which may be granted in favour of the Chairman.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is [] % . (An additional proxy form will be supplied by the Company on request.)

If you wish to appoint the proxy to exercise voting power over only some of your shares, the number of shares in respect of which this proxy is to operate is shares (Note: proxy will be over all shares if left blank)

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain. By signing this appointment you acknowledge that the Proxy (whether voting in accordance with your directions or voting in their discretion under an undirected Proxy) may exercise your proxy even if he/she has an interest in the outcome of the resolution and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest.

I/we direct my/our proxy to vote as indicated below:

<u>Resolution</u>	For	Against	Abstain
Resolution 1 – Approval of Change of Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 - Approval of Acquisition of Taronga Shares held by Interests Associated with Mr Nicholas Mather	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 - Approval of Issue of Options to Interests Associated with William Ryan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 - Approval of Issue of Options to Interests Associated with Teunis Kwak	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 - Approval of Issue of Options to YTC Resources Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Approval of Issue of Options to Interests Associated with Nicholas Mather	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 7 - Approval of Issue of Options to Interests Associated with John Bovard

Resolution 8 - Approval of Issue of Options to Interests Associated with Richard Willson

Resolution 9 – Approval of Issue of Performance Shares to Peter Williams

Individual or Security holder 1

Sole Director and sole Company Secretary (If appointed)

Security holder 2

Director

Security holder 3

Director/Company Secretary

_____ **Contact Name**

_____ **Contact daytime telephone**

_____ **Date**